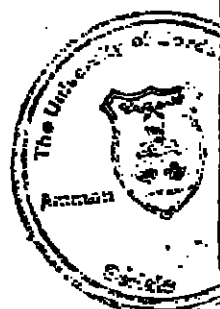


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THE JERUSALEM POST

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THE DIFFERENCE

SECOND EDITION

Security tight as Turks look for clues

ISTANBUL (Reuters). — Turkey tightened security in major cities yesterday as police hunted for clues to Saturday's massacre at the Istanbul synagogue that cost the lives of 22 Jews including two Israeli visitors, and a two-man Arab suicide squad.

In the Neveh Shalom synagogue, a scorched prayer book sat on the remains of a velvet-covered rabbi's chair yesterday, opened to Kaddish, the prayer for the dead.

The synagogue, whose floor on Saturday was a gory mess of shattered bodies, is to be used again Wednesday for a mass funeral of all but the Israeli victims, 82-year-old Mirza Babatzada of Tel Aviv and Raphael Nissim of Ramat Gan.

Police swamped the streets of Istanbul Saturday night, conducting intensive traffic and identity checks, and guarding key buildings, including the Israeli Consulate-General.

Extra police patrolled the capital, Ankara, which has one synagogue, and intensified security at the heavily fortified Israeli legation. Authorities in Turkey's third city, Izmir, announced that its two synagogues would be protected.

As the police inquiry proceeded, Prime Minister Turgut Ozal rejected speculation Libya was behind the assault.

"The attack has nothing to do with Libya. There may be a connection with Lebanon," he told reporters, according to the semi-official Anatolian News Agency.

The usually well-informed Turkish newspaper *Hurriyet* said Turkish police investigators and representatives of the Israeli secret service met Saturday in Ankara.

It said they were increasingly convinced that the attack bore the earmarks of the dissident Abu Nidal Palestinian terror group.

The investigators pointed up similarities with attacks, claimed by Abu Nidal, on the airports of Vienna and Rome on December 27, 1985 and on a Jewish restaurant in Paris on August 9, 1982. These attacks left a total of 26 dead and injured.

Diplomats said neither Israel nor Turkey had suggested that Israeli experts assist Turkish efforts to identify the two gunmen who raked the synagogue with automatic weapons fire before blowing themselves up with hand grenades.

Jak Weiss, who heads an advisory council to Istanbul's Chief Rabbi, told a news conference yesterday, "We are feeling shock, sorrow and sadness after this situation. But we are a very, very secure community in Turkey. This act will not change anything in our situation."

Officials said the gunmen, who reportedly wore black sweatshirts and running shoes, entered the synagogue about 90 minutes into the service, barred the main door with an iron bar and began raking the congregation with Polish-made submachine guns.

Meanwhile in Beirut, a previously unknown group calling itself the "International Fighting Front" yesterday claimed responsibility for the Istanbul attack.

In a statement published by the independent newspaper *An-Nahar*, the group said Saturday's attack was a retaliation for an Israeli military raid mounted with U.S. support on the Algerian port of Annaba.

The name of the International Fighting Front and the wording of its statement again suggested Abu Nidal.

The Abu Nidal faction has previously used slightly varying names for claiming such terrorist operations.

Three other organizations — Islamic Jihad, The Arab Union Organization of the North and the Palestine Revenge Organization have also claimed responsibility for the massacre.

Widespread UK racism growing, report says

LONDON (Reuters). — Racial discrimination is widespread and increasing in Britain, according to a report published here yesterday.

The report, by the race relations charity Runnymede Trust said more than one third of employers discriminated against black people applying for jobs, a higher number than that found by previous studies, adding that "Black people who do find employment consistently earn less than white people and are in lower-level jobs."

EIGHT PAGES
FROM SUNDAY'S

The New York Times

INSIDE TODAY



PLO leader Yasser Arafat receives a congratulatory handshake from Pakistani President Zia ul-Haq after Arafat's speech to the closing session of the non-aligned summit in Harare, Zimbabwe, yesterday. (AFP telephoto)

Israel, U.S. trying to pinpoint terrorists

Jerusalem Post Staff and agencies

Israeli and American intelligence agencies are continuing their efforts to identify the terrorist organizations whose members on Saturday attacked the main Istanbul synagogue, and took over a Pan American jetliner at Karachi. The first attack killed 22 people, the second ended in a shoot-out which left 17 dead.

Observers noted that any retaliation can be expected only after those responsible, as well as the states supporting them, have been identified.

The four captured hijackers of the Pan Am jet have claimed that they belong to the International Revolutionary Organization (IRO), and appear to be Palestinian. Karachi police believe the IRO is probably based in Beirut.

Administration sources in Washington said that the hijackers might have been hired for the action by a front organization, and might not know the true identity of the group that initiated it.

Deputy Secretary of State Michael Armacost said yesterday on television that American suspicions were focused on Abu Nidal's group and the Fatah's Force 17. Armacost declined to speculate on any Libyan connection to the hijacking, but said that if such a link could be demonstrated, "We'll have a tough decision to face."

Reports from Abu Dhabi said that most of Abu Nidal's group had been ordered out of Damascus.

Administration sources were keen to learn what information Israel had on the identity of the hijackers. Washington assumed that Israel would eventually retaliate for the synagogue attack, but that the timing of the action would be influenced by the Peres-Mubarak summit, scheduled this week in Alexandria.

Pakistani President Zia ul-Haq said yesterday on his return from the Non-Aligned summit in Zimbabwe, that "so far the interrogation has revealed that the [hijackers] have no

connection with any country."

Zia said that in lengthy discussions in Harare, Libyan leader Muammar Gaddafi had "categorically stated" that he knew nothing about the Libyan Liberation Cell, one of several organizations that the four Arabic-speaking hijackers have claimed to belong to.

The president said that Pakistan would continue to support the PLO, even if the terrorists turned out to be Palestinians, as it "unfortunately" appeared. The police said earlier that the hijackers had given several names, which made it difficult to establish their identities.

In Washington, officials continued yesterday to praise the Pakistanis' determination in standing up to the hijackers, but criticized the commando action against the hijackers and the lax airport security that had enabled them to pose as security men.

Syria has told most of Abu Nidal's group in Damascus to leave, as part of "tough measures" taken by Syria against the group, the Abu Dhabi daily *Al-Ihtilaf* said yesterday. It said the officials had gone to Greece and that Abu Nidal's links with Damascus were going through a serious crisis.

Meanwhile, Israel Radio's monitor Michael Gurdus, said that reports of Abu Nidal's departure from Damascus might be no more than a Syrian attempt to distance itself from the terror group in an effort to protect itself from Israeli retaliation for recent terror incidents in Karachi and Istanbul.

Quoting informed sources, *Al-Ihtilaf* said Abu Nidal's nephew Abdel Karim Al-Banna (also known as Abu Hussam) was detained by Syrian military intelligence and released two weeks later after a request by Libya. Fourteen other members of the group also were arrested, the paper said.

Syrian authorities are convinced he masterminded a June 26 bomb attack on the El Al check-in counter at Madrid airport which injured 13 people, the paper said.

Worldwide revulsion at Arab massacres

Jerusalem Post Correspondents and agencies

Pope John Paul and statesmen throughout the world expressed revulsion and outrage yesterday over the terror attack on the synagogue in Istanbul on Saturday.

West German government spokesman Friedhelm Ost yesterday stressed "Germany's special responsibility towards Jews all over the world," in the wake of the Istanbul synagogue attack. Ost said the "terrible attack in Istanbul fills us with abhorrence and mourning."

He called the Karachi and Istanbul attacks a challenge to all civilized countries to fight international terrorism. The German government would intensify its demand for the struggle against terrorism on the international level, he said.

Speaking on behalf of both Britain and the other European Community nations, Sir Geoffrey Howe "condemned and deplored" the events at Karachi and Istanbul, and said that they served to highlight the need for "sustained international cooperation against terrorism."

But he was careful to stress that responsibility for the two incidents has not yet been established, and that it was thus too early to talk of British or EC involvement in any retaliation or response.

Howe held talks on Friday with U.S. Ambassador to the UN Vernon Walters, and was reportedly sceptical of Walters' warnings of plans by

Libya's Muammar Gaddafi to launch a new wave of international terrorism.

Walters was reportedly informed that Britain could only contemplate further measures against Libya if it received conclusive evidence of Tripoli's involvement in terrorism. Even then, Britain would only act in concert with other EC nations and would not cooperate again on a one-to-one basis with the U.S.

Libya said yesterday it harboured no hostility against Jews, saying it disapproved of attacks on "such innocent people" at the Istanbul synagogue.

The official Libyan news agency, Jana, in its first comment on the Istanbul attack said Libyans "respect Judaism as a religion." Libyans "do not agree with attacks on the lives of such innocent people who are, like the Arab nation, victims of Zionism," Jana added.

On Saturday night Libyan Radio justified the attack, saying that the Istanbul synagogue had served as a base for Israeli intelligence.

Jordanian newspapers yesterday condemned the hijacking and the attack on the synagogue, but blamed Israel for the new cycle of violence.

The English-language daily *Jordan Times* said "nobody in his right frame of mind, or who has any sense of humanity within him, can condone the Istanbul and Karachi crimes." (Continued on Page 2, Col. 6)

Summit now seen certain

After several days of doubt, both Cairo and Jerusalem issued strong, clear signals yesterday that Wednesday's summit between Prime Minister Peres and Egyptian President Mubarak will take place as scheduled.

The new momentum came despite continued Israeli-Egyptian differences over outstanding issues in the Taba arbitration *compromis*, which Mubarak has insisted must be signed prior to the summit.

Avraham Tamir, director-general of the Prime Minister's Office, flew to Cairo last night to prepare for the

summit meeting with Peres's media adviser Uri Savir and his military aide de camp, Azriel Nevo.

At the same time, the Egyptian media yesterday welcomed the up-

senior Israeli officials told *The Post* last night.

Peres and Mubarak intend to announce the creation of several working committees to deal with the

By Yehuda Litani and Hirsh Goodman in Cairo, and Benny Morris in Jerusalem

coming summit in the clearest reports to date indicating that the meeting is indeed imminent.

The summit's agenda will be "substantive" and will deal with the Middle East peace process — not just tourism, normalization and trade.

definition of the international forum to accompany peace negotiations and the participation of Palestinians in the process.

An intensive effort will be launched here today to finalize the summit meeting agenda, the officials

also told *The Post*.

It is felt that if "the summit agenda was attractive enough to Mubarak" the Egyptian president would agree to a resolution of the unresolved Taba issues, the officials added.

The summit will serve Egyptian objectives, said Cairo Radio in a commentary yesterday. The radio, along with newspapers *Al-Akhar* and *Al-Gunhuriya*, declared that Peres had created a "peaceful climate in the region" by previously agreeing to an international peace conference on the Middle East.

"This (summit) meeting, which (Continued on Page 2, Col. 2)

The offensive words...

Sharon said in an Israel Radio interview yesterday morning: "The terrible pogrom against the Jews during prayers in the synagogue in Istanbul is the terrible and exclusive reply by the Palestinians and their supporters — from Syria's Assad to Libya's Gaddafi — to Israel's pleading for peace and her readiness for concessions."

"The concessions to the PLO, to King Hussein, to King Hassan and the grave concessions on Taba, have all been understood as signs of Israeli weakness. They have invited the aggressiveness of Palestinian terror, which is supported by Libya and Syria, and which continues to find shelter until this very day in Jordan, and whose officers visit and spend time in Egypt."

"The ceaseless pursuit of dubious and baseless peace plans at a time when our enemies are waging an unceasing war against us, has contributed to the weakening of Israel's defenses and alertness and has rendered Jews in Israel and abroad even more vulnerable to Palestinian terror."

...and the retraction

The following is the text of Ariel Sharon's letter to Prime Minister Peres retracting his accusations over Kol Yisrael radio yesterday:

"I retract my statement of Saturday night. I did not accuse the government or its head. The fact remains that in my words I never once mentioned the prime minister, the cabinet or its decisions, to which I am a full partner. If that is what could have been implied from my statement, I retract it."

At your request, I would like to state the following:

- There is no connection between the decisions of the government and what happened in Istanbul;
- There is no connection between our sincere and general striving for peace and the murder of Jews.

I have never once believed that this had to be the answer of the PLO's murder and terror organizations to the Israel government's desire for peace, as has been attributed to me. It is they, who due to their murderous nature, have chosen that course.

We must stand stalwart against the PLO's terror which is backed by Syria and Libya. Failure on our part to stand united against that terror will only encourage its activities.

This is a trying time in the history of the Jewish people and of the entire world. At this very moment the entire world is awaiting the reaction of the Israel government. We must stand united against the dangers which confront us."

Sharon eats his words

By BENNY MORRIS and ROY ISACOWITZ

The government yesterday appeared to have weathered the Second Sharon Crisis, after the industry and trade minister gave in to Prime Minister Peres's demands that he retract his Saturday accusations which implied the Peres peace initiatives had been the cause of the terrorist attack on the Istanbul Central Synagogue that morning.

After an earlier letter from Sharon had been rejected by Peres as insufficient, Sharon last night sent Peres a second letter completely retracting his accusations. Israel Radio reported late last night, citing aides to Sharon, that in a telephone conversation between the two, the impending crisis had been laid to rest.

Peres yesterday cut short both the inner cabinet and the full cabinet meetings and lambasted Sharon for his statement, demanding a retraction and a public apology. Sharon sent a retraction of sorts to the Prime Minister's office, but that was deemed there to be unacceptable.

Sharon's second apology and retraction was sent under pressure of his Likud colleagues, who, for the most part, were shocked at his charges and equally appalled at the possibility that a crisis around Sharon might sabotage next month's rotation of the premiership.

Sharon on Saturday night criticized Peres's peace policy vis-a-vis Egypt and Jordan. He implied that Peres's eagerness for peace, and his "concessions" to Morocco's King Hassan and to Egypt, over Taba, had in some way resulted in or contributed to the Istanbul synagogue massacre, the terrorists having been goaded into aggression by displays of Israeli "weakness."

Peres said that it was inconceivable that a minister thus attack government policy. As long as Sharon did not retract his statement, no inner cabinet or cabinet meetings would be held, Peres said.

Observers noted that Peres was in any case probably not interested in holding such meetings before his departure for Alexandria on Wednesday for his summit with President Mubarak, and that he did not want a major ministerial debate on the summit agenda and the negotiations which have led up to it.

Likud leaders, including Sharon and Minister-without-Portfolio Arens, have, over the past fortnight, repeatedly criticized the negotiations and possible Israeli concessions on the Palestinian issue which may be made at the summit.

At around noon yesterday, a letter from Sharon reached the prime minister in which Sharon stated that (Continued on Page 2, Col. 3)

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OSLO	13	15	17	Cloudy
PARIS	11	12	14	Cloudy
RIO DE JANEIRO	16	21	28	Clear
SAO PAULO	16	21	28	Clear
STOCKHOLM	8	10	12	Cloudy
TOKYO	21	22	24	Clear
TORONTO	12	14	16	Cloudy
VIENNA	18	20	22	Clear
ZURICH	18	20	22	Clear

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THE WEATHER

	Yesterday's	Yesterday's	Today's
	Humidity	Min-Max	Max
Jerusalem	42	17-29	28
Golan	38	17-32	31
Nabariya	38	17-32	31
Safad	41	17-29	29
Haifa Port	52	22-36	36
Tiberias	57	20-30	30
Nazareth	53	19-32	32
Afula	51	20-30	29
Shomron	66	22-30	30
Tel Aviv	64	21-30	29
B-G Airport	45	23-37	37
Jericho	67	24-29	29
Gaza	50	24-23	32
Beersheba	31	26-38	38
Eilat			

Zealots fined for burning bus stops

Twenty-three ultra-Orthodox zealots, found guilty of causing damage to bus stops throughout Jerusalem two months ago, were yesterday fined between NIS 100-500 each and sentenced to suspended jail terms of up to four months.

Handing down sentence, Jerusalem Magistrate's Court judge Aharon Simha meted out the biggest punishment - NIS 500 and a four month suspended sentence - to Rabbi Gershon Sammar, one of the leaders of the *Eda Haredit*.

The trial of three other zealots, including Rabbi Uri Blau, who pleaded not guilty to the charges, continues. (Iim)

Yehudi Mennuhim gets West Berlin prize

Jerusalem Post Correspondent BONN. - West Berlin has honored violinist Yehudi Mennuhim with its Moses Mendelssohn Prize.

The prize, named after the 18th-century German-Jewish philosopher, was awarded to Mennuhim for his contribution to international understanding.

Mennuhim is esteemed here as a Jew who encouraged a dialogue with Germany after the Holocaust.

U.S. tennis open

NEW YORK (AFP). - Czech-born Martina Navratilova of the U.S., the top seed, beat seventh-seed Helena Sukova of Czechoslovakia in straight sets in the women's singles final at the American Open Tennis Championships here yesterday.

She won her third U.S. title 6-3, 6-2. Hana Mandlikova of Czechoslovakia had robbed Navratilova of a hat-trick when she beat the U.S. star in last year's final.

Disabled fighting for television air-time

By GREER FAY CASEMAN
Jerusalem Post Reporter
The Israeli Broadcasting Authority (IBA) is dragging its feet over a welfare organization request for permission to record fund-raising broadcasts.

The Organization for the Welfare of the Disabled (ILA) held a press conference yesterday to protest the IBA's attitude which, it said, was hindering preparations for a nationwide fund-raising campaign to begin on November 5.

HOME NEWS

Traffic accident leads to shooting

By MENACHEM SHALEV
For The Jerusalem Post

A Hebron man was shot yesterday morning just outside the walls of Jerusalem's Old City, when a traffic accident developed into a shooting mēlée.

The incident began when passers-by offered help to two men who had just crashed their car into a parked vehicle. The man sitting next to the driver suddenly whipped out a pistol and began firing indiscriminately. The two then fled the scene.

Hajazi Jaber, 35, of Hebron, who was walking down the street, at the time, was hit by a bullet in his right thigh and taken to Hadassah Hospital on Mt. Scopus.

Police immediately launched a manhunt for the gunman and his companion. Descriptions given to the police by witnesses indicate that the gunman was a well-known criminal.



A detective dusts for fingerprints on the car from which shots were fired yesterday after it collided with a parked car outside Jerusalem's Old City. (Rahamim Israeli)

Arab gang attacks Acre police

By DAVID RUDGE
Jerusalem Post Reporter

ACRE. - A gang of 50 Arab youths yesterday attacked three policemen and tried to overturn their car in the old quarter of the town, in a successful bid to free two arrested youths.

Police fired warning shots to disperse the rioters. Reinforcements were rushed to the scene and 15 people were arrested.

The Galilee police spokeswoman described the riot as one of the most serious attacks on police in the region for many years.

The incident started, she said, when police on routine patrol duty noticed three youths whom they did not recognize. The three allegedly refused to show their identity papers and a fight broke out in which the policemen were knocked to the ground.

During a subsequent chase, one of the suspects reportedly tried to attack his pursuers with an axe. He was disarmed and arrested, along with a second suspect who was taken to a police station.

An angry crowd then encircled the car and managed to release the suspects before reinforcements arrived.

SUMMIT

(Continued from Page One)

the Israelis so desire, could be, given current developments, a real arguony on the road to solving the region's conflicts," the radio added.

Cairo Radio last night also reported that the two countries' negotiators were "close to agreement" on the outstanding Taba issues.

The radio commentary stated that Mubarak had previously rejected a summit for three reasons: the invasion of Lebanon, the question of Taba and living conditions in the territories.

But progress had now been made in all three spheres, the commentary stated, noting that Israel had withdrawn most of its forces from Lebanon, taken positive steps to solve the Taba question, and made "noticeable" improvements in living conditions on the West Bank.

Officials in Jerusalem reported yesterday that the Israeli delegation in Cairo so far had made no headway in solving the remaining Taba problems - the selection of three international arbiters and the demarcation of Israel's Taba claim.

U.S. Assistant Secretary of State Richard Murphy, who has been leading the American mediation effort, yesterday met in Damascus with Syrian President Hafez Assad.

Murphy was expected to make a stop-over in Riyadh before returning to Cairo late last night or today. On Saturday Murphy visited Amman.

Flight from Iran - death in Istanbul

By YORAM GAZIT

TEL AVIV. - Raphael Nissim, 65, who escaped with his family from the Iranian revolution and immigrated to Israel about seven years ago, was among those murdered in the terrorist attack on the main synagogue in Istanbul on Shabbat morning.

"My father was a very religious man and one of the dignitaries of the Neveh Shalom synagogue, but not an official rabbi," his daughter Rina told *The Jerusalem Post* yesterday. "Therefore, when we heard on the news that there was a rabbi named Nissim among the dead, we still had some hope he was alive," she said.

Nissim, a rug merchant, spent much time abroad. By yesterday afternoon his family in Ramat Gan had been informed by merchants in Istanbul who knew Nissim well that his body had been identified.

Muting their grief yesterday, his family was bitter that the news had reached them through the media and personal contacts but not through the Foreign Ministry. Only late last night did the ministry notify the family of Nissim's death.

His daughters, Hanna, 23, and Rina, 21, were also bitter about the government's reaction to the Istanbul massacre. "Instead of doing something and planning revenge, cabinet members are all busy hanging on to their seats," said Hanna. "Everyone made a lot of fuss about the killing of two terrorists on bus No. 300, but what about the killing of innocent people at prayers?"

"This is Raphael," an aunt said, pointing to Hanna's five-month-old son. "He was named for his grandfather Raphael."

Nissim's widow, who is very sick and on a visit to one of her older sons abroad, may not be able to return to Israel for the funeral because of her poor health.

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Peres meets with nurses

TEL AVIV. - Hospital nurses last night gave the government and their other employers until tomorrow to renew negotiations with them. Otherwise, they said, they would immediately carry out their threat to call all the 11,000 hospital nurses out of the country's public hospitals.

The decision was taken by the nurses' leaders at Sheba Hospital after a meeting with the Histadrut's Haim Haberfeld who is representing them in the negotiations with the government.

Haberfeld suggested that the negotiations be renewed on Wednesday. But the nurses were adamant in demanding that talks start again tomorrow. Tonight they are to meet with Histadrut Secretary-General Yisrael Kessar and Finance Minister Nissim in an attempt to find a way out of the impasse.

Prime Minister Peres yesterday intervened in the hospital nurses dispute, promising that direct negotiations between the government and the nurses would resume immediately.

Several dozen nurses demonstrated yesterday outside the Prime Minister's Office during the cabinet meeting. The premier sent an aide to ask several of them to come up and discuss their demands.

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Sharon tries to play it cool

By MICHAEL YUDELMAN
Jerusalem Post Reporter

Industry and Trade Minister Ariel Sharon yesterday locked himself in his office with his close aides, refusing to comment on the uproar caused by his statement of the day before and formulating a second letter to the prime minister, retracting that statement.

Until late last night, Sharon parried all attempts by journalists to talk to him about the government crisis he had triggered.

At 7:40 p.m. Sharon's second letter to Prime Minister Shimon Peres was sneaked out of his office by his driver under the noses of the unsuspecting reporters and photographers.

Sharon's day had begun at 6:30 a.m. with a tour of industrial plants in Kiryat Gat, including some discussions with senior military officials.

After attending a short-lived cabinet meeting, he arrived at his Jerusalem office at noon and did not leave until late last night.

His aides, Oded Shamir and Yisrael Katz, and spokesman, Amiram Fleisher, hurried in and out of his office, but made no comments to waiting reporters.

At 6 p.m. the photographers were told to be on the alert. Two hours later they were admitted into the office, snapped the minister, and left the building.

Following the 9 p.m. television news report announcing the second letter, sources from Sharon's office "blamed" the Prime Minister's Office for "leaking" the information.

Soon after, a rowdy group of Herut "Young Guard" members arrived to demonstrate their solidarity with Sharon. They had just come from a rally outside the prime minister's office protesting that the Alignment caused a false government crisis.

At 10 p.m. Sharon's spokesman issued copies of the letter to the few sleepy reporters who had remained and told them to go home.

Hebrew University wants to cut salaries

By BERNARD JOSEPHS
Jerusalem Post Reporter

The Hebrew University plans to slash spending on vital equipment, and wants to cut salaries as well, in a big effort to wipe out the institution's nearly \$50 million deficit; its new head said yesterday.

Prof. Amnon Pazy, the university's rector and now its acting president, was speaking at an emergency meeting of the university's board of governors called to discuss the budget crisis.

He said immediate steps were needed to wipe out the deficit which was threatening the university's future. There must then be a long-range recovery plan.

A committee, headed by Pazy, has been instructed to submit a programme by the end of the year for the elimination of the deficit. Among the items it will deal with are sabbaticals and pension arrangements. It will also present recommendations for tightening up the university's bookkeeping system.

The board approved austerity measures including a heavy cutback on basic equipment and the purchase of new computers.

But, Pazy went on: "Eighty per cent of the budget is salaries and other essentials. And salaries have up to now been considered untouchable. Now we have no choice but to cut into these too."

Pazy was voted in as acting president at the start of the meeting. He

replaces Prof. Don Patinkin who resigned last week after discovering that the deficit for this year alone will exceed \$30m.

Board of governors chairman Harvey Krueger said Patinkin had "shouldered the blame for all of us." The crisis stemmed from long standing financial problems, he said, adding: "Neither the board nor the faculty have examined deeply enough the structure of the university's spending."

Finance Committee chairman Stanley Bogen presented a budget for \$112.5m. for 1986/87, a reduction of some \$10m. in real terms.

In his parting address, Patinkin said the university's problems should be viewed in the context of the country's economy. Many national institutions had faced collapse after the sudden drop in inflation, but had been rescued by the government, he said.

But the government had actually reduced its support of the universities from 80 per cent of their budgets to 50 per cent, he said.

Patinkin called on the institution's staff and students to cooperate with the emergency committee which will have sweeping powers to order spending cuts.

"The future of the university, and whether it remains among the distinguished universities in the world, depends on their cooperation," he warned.

Parents push kids out of school, into jobs

By BERNARD JOSEPHS
Jerusalem Post Reporter

Truant officers have warned that hard-up parents are pushing their children to leave schools and go to work, the Education Ministry said yesterday.

Meeting with Education Minister Navon, the officers said there were growing signs that the economic squeeze was pushing up the number of school drop-outs, especially from poor families.

They urged that despite budget cuts, the number of truant officers should be increased in an effort to tackle the problem.

"For the first time, I have come

across parents who feel they have no choice but to send their children out to work rather than to school. These occurrences are still rare but they are a worrying sign," said one officer yesterday.

Navon has pledged that he will not reduce the number of truant officers despite a call by the Treasury to cut their hours by nearly a half. Last year they dealt with some 18,000 truants.

An Education Ministry spokesman pointed out that the drop-out rate among the country's school children had fallen from 17 per cent to 6 per cent, since the officers began working in 1972.

Most phone subscribers to be billed bi-monthly

Jerusalem Post Reporter

Phone billing will revert to being bi-monthly for 80 per cent of all subscribers starting this month or next, Bezeq has announced.

Subscribers who register fewer than 600 phone call units a month will be billed every two months.

Others, mainly large businesses which log over 600 calls, will continue to pay monthly.

The September bill will be the last bi-monthly one for users in the Tel Aviv and central region; next month the other users will get their bills.

REVULSION

(Continued from Page One)

The daily *Al-Rai* accused Israel of planting terrorism in the region and said, "The time has come for the world to compel Israel to give up terrorism and accept a just peace."

Two Kuwaiti newspapers yesterday claimed that the CIA and Israel had instigated the hijacking and the attack on the synagogue.

They said both groups had been "fishing for a pretext" to attack Libya and other Middle East Arab countries.

In New York, Clovis Maksoud, permanent Arab League observer at the UN told the *New York Times* that the Istanbul attack had been "shocking and deplorable." Maksoud added, "The League of Arab States condemns this act as it violates

all the tenets of Arab civilization and Islamic values."

Mohammed Mehdi, general secretary of the 10,000 member National Council on Islamic Affairs in the U.S., said the assault was carried out by "mad persons who have murdered not only Jewish worshippers but also have inflicted grave damage to Islam."

In Courmayeur, Italy Pope John Paul said yesterday that everything possible must be done to end acts of terrorism.

Speaking firmly, he referred to "the two tragic episodes of terrorism that within hours of each other have spilled innocent blood."

"Faced with events so horrendous and almost incredible, the yearning for peace is transformed into anguish," the pope said.

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and children.

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Pomp and protest as Tutu enthroned in Cape Town

CAPE TOWN (AFP) — Anglican pomp merged into African spontaneity, clapping and swaying in St. George's Cathedral here yesterday, as anti-apartheid cleric Desmond Tutu was enthroned as Archbishop of Cape Town and the first black to head southern Africa's three million Anglicans.

In his enthronement sermon, Archbishop Tutu reiterated his abhorrence of violence and offered to help stop the rising tide of sanctions against South Africa, provided the Pretoria government took meaningful steps to end apartheid and to establish black political rights.

Bells pealed over the city as Archbishop Tutu, clad in dazzling silver and gold silk robes, emerged from the cathedral to the ululations of black women who chanted

"father, father" as he was preceded by the Archbishop of Canterbury, Robert Runcie.

A minor scuffle had developed outside the cathedral during the service when three white demonstrators tried to lay a wreath protesting what they said was a "tragic happening in the church of the living Christ."

The hundreds of people who braved a shower of rain during the two-hour service burst into applause when the diminutive grey-haired archbishop emerged after the rituals.

Many of the 250 guests, including a large number of foreigners, seemed startled when the solemn pomp of Anglican tradition changed course into the swaying, clapping and emotional singing common in churches in Africa, led by the singing of the 80-member Soweto choir.

Among the foreign guests was Corretta Scott King, widow of assassinated civil rights leader Martin Luther King. She will talk with President Pieter Botha tomorrow, the Afrikaans language newspaper *Rapport* said yesterday.

Winnie Mandela, wife of jailed African National Congress leader Nelson Mandela, had arrived earlier on at the cathedral, greeted with the chant "Amandla" (power) by the crowd. Mrs. Mandela responded with a clenched fist salute as she entered the cathedral.

Addressing the sanctions issue, Archbishop Tutu said he would tell the world "put your sanctions plans on hold" if the Botha government took up the legitimate grievances of the black majority. His conditions for this, he said, were the lifting of the state of emergency imposed in June, the removal of troops from black townships, the release of political detainees, and negotiations with black organizations, including the ANC, on a new constitution.



Archbishop Desmond Tutu in Cape Town yesterday. (Reuters)

Fatah scraps Amman pact

Post Middle East Staff and Agencies

The PLO's Fatah group has abrogated its 1985 Amman Accord with Jordan's King Hussein, in a step observers believe is designed to promote PLO reconciliation moves.

Announcement that the accord, which called for a joint PLO-Jordanian peace strategy, had been terminated came in a communiqué signed by Fatah, the Moscow-oriented Democratic Front for the Liberation of Palestine (DFLP) and the Palestine Communist Party (PCP).

The communiqué, issued late Saturday evening in Damascus, said the three factions reached the abrogation decision in a conference held in Prague, Czechoslovakia from Sept. 1 to Sept. 5.

The Prague conference followed a meeting between the three factions in Moscow last month as part of a Soviet-sponsored drive to reunite the PLO and patch up PLO chairman Yasser Arafat's rift with Syria.

King Hussein suspended the Amman accord earlier this summer, following Arafat's refusal to recognize United Nations Security Council Resolution 242.

Formal termination of the Amman accord clears the way for a planned PLO reconciliation summit in Algiers, declared Fatah leader Abu Iyad (Salah Khalaf) yesterday, in a report from Radio Monte Carlo.

The DFLP and the PCP had been demanding that Fatah renounce the Amman accord as a precondition to reconciliation talks.

MIDEAST NEWS IN BRIEF

World dignitaries at Kekkonen burial

HELSINKI (AFP) — Kings, presidents and prime ministers and other top-ranking dignitaries from some 40 countries attended yesterday's state funeral of Finnish President Urho Kekkonen, who died one week ago at age 89.

Tens of thousands of Finns lined the streets and paid their last homage to Kekkonen, a staunch patriot and one of the main architects of Finland's post-war neutral foreign policy.

Kekkonen's basic point in foreign policy was to build good and trusting relations with neighboring countries, above all with the Soviet Union, Koivisto said.

Gaddafi in Uganda

KAMPALA (AFP) — Libyan leader Muammar Gaddafi and Yoweri Museveni held a brief round of talks after the Libyan leader arrived here for an official visit. Kampala radio reported. Gaddafi arrived from Zimbabwe, where he had been attending the eighth summit of the non-aligned movement.

Iran reports naval battle

TEHERAN (Reuters) — Iranian naval units damaged three Iraqi warships in a northern Gulf battle yesterday, and seven divisions of Iranian volunteers left for the war front in a further buildup for a promised offensive, Teheran radio reported.



A wounded passenger in Friday's attack on a Pan Am plane at Karachi International Airport in Pakistan is wheeled to a relief plane yesterday for the trip from Karachi to Frankfurt. (Reuters)

4 Palestinian hijackers alive in Pakistan jail

A special Pan Am Jumbo arrived in Frankfurt yesterday with 217 passengers, including eight infants, who survived the hijacking of a sister airliner in Karachi by four gunmen who killed at least 15 people.

After a brief stopover and refreshments for the group at the airport lounge, the plane later was to head for London and then New York.

Another 92 survivors, including 37 wounded, were evacuated to Bombay yesterday on a special Indian Airlines Airbus which also carried the bodies of six Indian victims. Eleven seriously wounded passengers had been flown to West Germany on Saturday on a U.S. Air Force C-141 plane. An undetermined number of passengers remained in Karachi.

The Pakistani government issued a statement yesterday saying the four gunmen who had hijacked the Pan Am flight when it landed at Karachi on Friday from Bombay were alive and being held in an army camp. Government officials had said after the hijacking ended Friday night that two of the gunmen had been killed and two captured.

A statement by the Pakistani authorities said one of the hijackers was slightly wounded. Government officials refused to say more or talk about why they had reported earlier that two of the gunmen were killed.

Some passengers said yesterday they were scared to fly again after enduring the 17-hour hijacking

ordeal. Others said they did not want to fly on American planes any more because they feared being hijacked again.

Dick Melheart of Washington, D.C. said he had asked U.S. diplomats if he could fly home on a foreign airliner instead of the replacement Pan Am flight. "I was told that it's policy to use an American carrier when possible," he said.

One returning passenger told newsmen that a stewardess aboard the hijacked plane hid American passports to keep U.S. citizens from being targeted by the gunmen.

The four gunmen were disguised in the blue uniforms of the Airport Security Force (ASF) when they drove up to the Pan Am jumbo jet in a truck painted to look like an ASF vehicle. The men stormed aboard firing machineguns as the plane loaded passengers.

The three-man Pan Am cockpit crew escaped from the plane when they heard the hijackers firing, and the gunmen demanded another crew to fly them to Cyprus, where they said they wanted to release three jailed Palestinians. The gunmen opened fire on the passengers and detonated hand grenades when the plane's lights failed after 17 hours.

Pakistani officials were still not sure yesterday how many people died on the plane, but most officials said 14 passengers and a Pan Am flight stewardess had been killed. Some officials said a Pan Am ground worker also was slain. It was not

clear whether she was the same stewardess referred to by Melheart.

Pakistani officials continued to retreat yesterday from any suggestion that Pakistani forces had stormed the plane. Officials said on Friday night that commandos had been moved close to the plane in anticipation of the lights failing, but then on Saturday said the security forces had not intervened until at least 10 minutes after the gunmen opened fire.

Post Correspondent David Horvitz reports from London:

While President Reagan and Prime Minister Thatcher were fulsome in their praise for the handling of the Karachi hijack, reports here suggest that there is considerable justification for Indian Prime Minister Rajiv Gandhi's scathing attack on the "ham fisted" Pakistani authorities.

Western intelligence apparently warned Pakistan more than a week ago that a terror attack of some nature was being planned, and that members of Abu Nidal's terror unit had been sighted in Pakistan.

According to the *Sunday Times*, it had been established by last Wednesday that the likely target of the planned attack was either an Arab embassy or an aircraft.

A Pakistani intelligence officer was quoted as saying that Pakistan had been warned a week ago about two terrorist groups. The first, numbering 30, was said to have left the Middle East and to be fanning out through Europe.

Mugabe also stressed the movement's world role, telling reporters: "We have worked assiduously against racism, apartheid and Zionism as well as against all forms of oppression and foreign domination."

But since the inaugural Belgrade summit in 1961 the group has grown to become the biggest world body outside the UN, representing nearly two-thirds of mankind.

Differences at the meeting were inevitable with every form of government represented from military rule to multi-party democracy, monarchy to Marxism.

Communique calls for SA sanctions, Gulf war truce

Non-Aligned blast U.S. 'terror'

HARARE (Reuters) — The Non-Aligned Movement summit, driven remorselessly through the night by Zimbabwean leader Robert Mugabe, came to an exhausted end yesterday with an impassioned appeal to the superpowers to halt the arms race.

At a pre-dawn press conference after six days of marathon sessions, the group's newly-elected chairman called the summit a tremendous success. But much of its proceedings had been overshadowed by the 101-member body's very diversity, and the final session ended hours late after weary delegates battled to end one last argument.

Conservative Saudi Arabia had threatened to pull out if the 1988 foreign ministers' meeting was held in communist North Korea. Cyprus was eventually chosen as the compromise site.

But no agreement was reached on the venue for the 1989 summit and that decision was deferred to the Nicosia meeting.

In two massive reports on the global political and economic situation, the summit:

- Blasted the U.S. for practicing state terrorism.
- Urged immediate world sanctions against South Africa.



Zimbabwe Prime Minister Robert Mugabe, exhausted at the closing session of the Non-Aligned summit in Harare. (AFP)

- Called for an end to the Gulf War.
- Agreed to set up a special fund to help black southern African states.
- Called U.S. support for rebels in Nicaragua "illegal and immoral."
- Said Third World debt was unbearable and repayment beyond the means of many developing countries.

Spy charge filed against Daniloff

MOSCOW (AP) — American reporter Nicholas Daniloff was charged with espionage yesterday in a legal proceeding at Lefortovo prison, said Jeff Trimble, a correspondent and Daniloff's colleague on the U.S. *News and World Report*.

Word of the formal charges filed against Daniloff, 52, came shortly after Soviet Foreign Ministry spokesman Gennadi Gerasimov told the programme "Face the Nation" on the U.S. CBS broadcasting network that a trial would be held.

In Washington, White House spokesman Larry Speakes said the U.S. had not yet been informed officially that Daniloff had been charged. He said that continued detention of the U.S. journalist could have "serious implications for U.S.-Soviet relations" and that "there will be no trade."

Michael Armacost, Under-Secretary of State for Political Affairs, told the NBC television network that if the Soviets stage a trial, it could jeopardize prospects for a U.S.-Soviet summit.

Daniloff told Trimble, in a 20-minute phone call from the prison last night, that he was formally charged at 2 p.m., but that he had no indication yet when he would be put on trial.

Trimble said Daniloff was told the investigation into his case could take up to six months.

Daniloff did not give any details about the legal proceeding at the prison. He has been held at Lefortovo since August 30, when he was arrested by eight KGB agents after a Soviet acquaintance handed him a package they said contained documents and maps marked "top secret."

President Ronald Reagan sent a personal appeal to Soviet leader Mikhail Gorbachev Saturday to release Daniloff following increasing high-level U.S. protests against his detention, an official of Daniloff's magazine said here yesterday.

Jim Kilpatrick, senior editor for administration at U.S. *News* said the message included an assurance from Reagan that Daniloff is not a spy. He said Gorbachev received the message Friday, but there had been no immediate response.

FOREIGN NEWS IN BRIEF

Nicosia protests against Turk mainland settlers

NICOSIA, Cyprus (AP) — The Cyprus government protested yesterday to the United Nations and foreign governments over Turkey's plan to send 5,000 more settlers to the Turkish-occupied northern region of the war-divided island.

Spokesman Petros Voskarides said the government is also protesting the allocation to the Turkish settlers of 42.5 per cent of the usurped land of the 200,000 Greek Cypriot refugees forcibly expelled from the Turkish-occupied region. The settlers from the mainland bolster the native Turkish Cypriot population of 117,000, a 17 per cent minority compared to the Greek Cypriot majority on the island.

Finns shut down two Soviet-built N-plants

HELSINKI (AFP) — Two Soviet-built nuclear power plants in southern Finland were shut down after a radioactive leak at one of them last Wednesday, the Finnish Central Office for Nuclear Power Station Safety said yesterday.

The official report blamed staff error for the leak at one of the two stations at Lovisa, about 50 km. east of Helsinki, in which "about 17 cubic metres of weakly radioactive water" escaped.

Sri Lanka battles kill 3

COLOMBO (AFP) — Two soldiers and a Tamil militant were killed in overnight clashes in North and East Sri Lanka, officials said yesterday.

The soldiers died when Tamil militants fired mortars at the army camp in Jaffna Fort in the north Saturday night. The militant was killed by a security forces patrol, which returned fire after it came under attack at Kommandurai in Batticaloa, in the east of the country, the officials said.

Former Tunisian PM disappears

TUNIS (Reuters) — Hunted former Prime Minister Mohammed Mzali, who was abruptly sacked in July, was smuggled across the border into Algeria four nights ago and is now in Sicily, family sources said yesterday. Meanwhile, Tunisian newspapers said corruption charges might be filed against Mzali.

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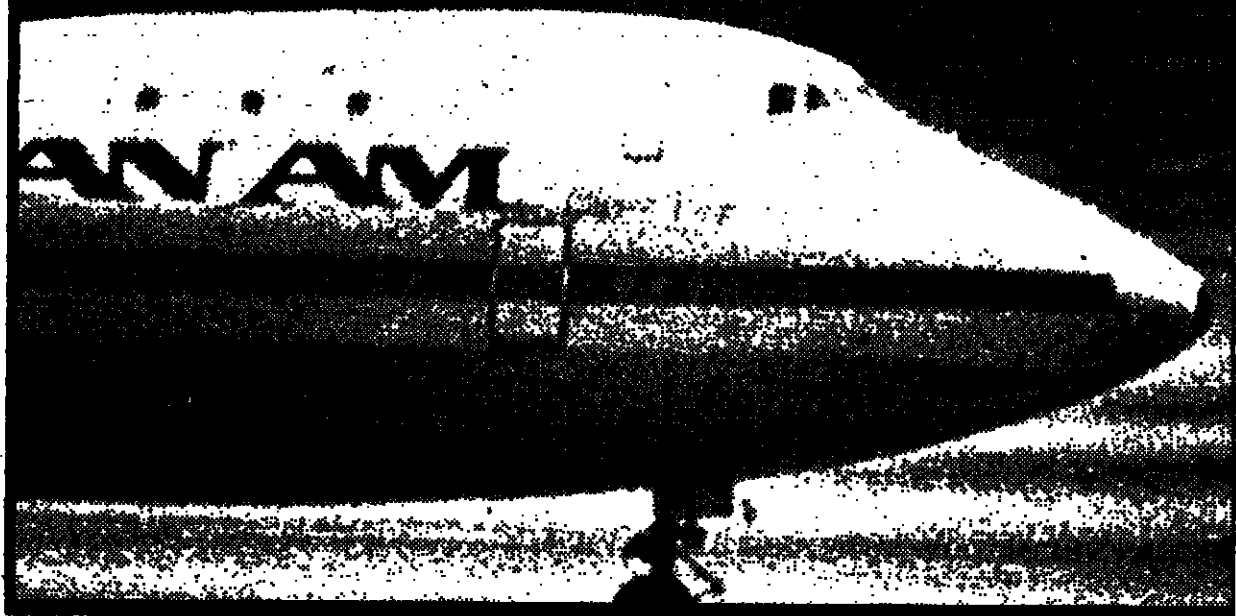
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Associated Press (plane); Agence France-Press



Hijacked airliner
standing at Karachi
airport Friday; at left,
a child who had been
aboard the plane is
carried into a hospital.



Two passengers from
the Pan Am jumbo jet
awaiting treatment in
a Karachi hospital.

KARACHI

15 Are Killed, 127 Injured As Terrorists Spray Airliner With Gunfire

ARABIC-SPEAKING gunmen took control of a Pan American jumbo jet in Karachi, Pakistan, Friday, and after holding it on the ground for 16 hours, shot scores of passengers and set off grenades in the cabin. Of the 384 people aboard, at least 15, including three Americans, were killed and 127 were wounded, at least 50 of these seriously.

The gunmen became panicky, according to passengers and officials, when the cabin went dark because a generator had run out of fuel. They started to shoot at passengers and crew members began to escape through emergency exits.

There were four or five terrorists. At first, it was reported that two of them had been killed when Pakistani security forces rushed the plane after the shooting began inside. But Pakistani officials said later that four gunmen had been arrested and taken to an army camp. They were not immediately identified, though one yelled to reporters, "I am a Palestinian commando." Two previously unknown groups in the Middle East — one in Beirut, one in Nicosia, Cyprus — claimed responsibility for the seizure.

During the day of seige, the gunmen had demanded to be taken to Cyprus where they said they had "friends" in prison. Two Arabs and a Briton are serving life terms there for killing three Israelis in September 1985. The imprisoned men said they were members of Al Fatah, the mainline Palestinian Liberation Organization group.

The Karachi hijacking was the first seizure of an American aircraft since June 1965, when Palestinian terrorists commandeered a Trans World Airlines jet after it left Athens for the Middle East.

President Reagan called the at-

tack a "cruel and sinister terrorist act" and "a despicable and cowardly crime." But he did not accuse anyone. In recent weeks, Administration officials had been warning that they suspected Col. Muammar el-Qaddafi, the Libyan leader, of preparing new acts of international terrorism. And earlier last week, Col. Qaddafi had threatened to lead an international army around the world to "spread the fire under the feet of America" if "United States arrogance" were not deterred. Larry Speakes, the White House spokes-

man, said of the Karachi attack, "As of the moment, our information has not allowed us to connect this incident with any country or any specific group." The Libyan radio denied that the Government was involved and asserted that the United States was "fabricating" a Libyan connection to justify new military attacks.

After the hijacking, it was disclosed that the Federal Aviation Administration had 10 days earlier issued to all United States airlines a "general alert" for possible terrorist acts. An F.A.A. spokesman said the Karachi airport had been declared "secure on all counts" in three inspections in the last 12 months.

The Justice Department said it would ask Pakistan to extradite the hijackers for trial. Department officials said, however, that they expected Pakistan to hold its own proceedings. Prime Minister Rajiv Gandhi of India said Pakistan had bungled the situation and he accused that country of encouraging hijackers.

ISTANBUL

At Least 21 Are Slain In Attack on Synagogue

TWO men described as Arabs entered the Neve Shalom Synagogue in Istanbul, Turkey, during Sabbath prayers yesterday, fired submachine guns, detonated grenades and killed at least 21 of the 30 worshippers. Ten others were injured. Officials said the gunmen also died after the police forced them back into the building and there were more explosions.

In Washington, a State Department spokesman said seven rabbis were among the dead and Istanbul's chief rabbi, David Asseo, had been wounded. It was not immediately known whether any Americans had been killed or hurt in the attack on Neve Shalom, the principal synagogue in Istanbul, where most of Turkey's 22,000 Jews live.

Police said the attackers were Arabs, but gave no further identification. Almost immediately there were three claims of responsibility, said to be from anti-Israeli groups in the Middle East.

The Turkish Prime Minister, Turgut Ozal, summoned the Cabinet to an emergency session and said, "It is not acceptable to do this to people who came together to pray."

In Jerusalem, Prime Minister Shimon Peres issued a statement expressing "disgust and deep shock."

The Israeli charge d'affaires in Ankara, Yehuda Milo, said the "outrageous, cowardly terrorist attack" demonstrated "that the only way to combat international terrorism, as Turkey and Israel are doing, is through resolute firmness and determination."

One of the survivors of the attack, Rauf Saul, was quoted by the Anatolian News Agency as saying he had feigned death to save himself. His father, Moshe, was killed. "The Sabbath service started," he said. "After a time an armed man came in and started firing all around. Everyone threw themselves onto the floor. The man, who had an automatic weapon, went on firing, and he was speaking in Arabic to his friend. At that time there was an explosion. I looked across from where I was hiding and saw they were starting to burn the corpses. I played dead and stayed still."

The gunmen had reportedly barred the door to prevent escapes. At about that point, according to officials, the police arrived and forced the fleeing gunmen back inside. "Then a loud explosion was heard," a police source said. "We are not sure whether they committed suicide or the bombs went off accidentally."

Moscow and Washington Are Not 'On the Verge'

The Pre-Summit Pattern Seems Reversed This Year

By DAVID K. SHIPLER

WASHINGTON
THE prospect of a Soviet-American summit meeting usually puts both superpowers on their best behavior. They tone down the hostile rhetoric, avoid abusive actions and intensify their search for areas of accord as the date approaches. As one of President Reagan's advisers observed some years ago, it is most fruitful to be "always on the verge of a major undertaking" with the Russians; in such a moment, the Kremlin is about as amenable as it ever gets.

When President Reagan met last November with the Soviet leader, Mikhail S. Gorbachev, there was considerable hope on the American side that a schedule of future summit meetings could be used to keep the two countries on that verge for at least several years. After the 1985 encounter on neutral ground, Geneva, 1986 was to see a Gorbachev visit to the United States, and in 1987 Mr. Reagan would travel to the Soviet Union. Between those high-level talks, officials would try to hammer out agreements on a range of bilateral matters, from the exchange of dance troupes to the reduction of nuclear missiles.

Some of the secondary accords have been achieved — on dance troupes, educational exchanges, scientific projects, direct passenger flights and the like. But in recent months the mood has soured and the normal, pre-summit pattern has been reversed. Instead of the prospective meeting's promoting good behavior, often irritating behavior has affected the prospects for a summit. The most vivid example was the arrest Aug. 30 of Nicholas S. Daniloff, the Moscow correspondent of U.S. News & World Report, on what American officials have called "trumped-up" espionage charges. On Thursday, President Reagan sent a personal message to Mr. Gorbachev urging Mr. Daniloff's immediate release, affirming that the journalist is not a spy and warning that his continued detention could endanger Soviet-American relations. Secretary of State George P. Shultz demanded that Moscow "find the wisdom" to release the reporter.

Mr. Daniloff, who was sharing an 8-by-10 foot underground cell at Lefortovo prison, seemed merely a target of opportunity for the K.G.B., the secret police and intelligence agency, in its effort to press American authorities to release an accused Soviet spy, Gennadi F. Zakharov, a United Nations employee who was arrested a week earlier in New York. After a week of contradictory statements about whether a deal would be struck, the Reagan Administration reportedly offered to have Mr. Zakharov freed in the custody of the Soviet Ambassador, pending trial, if Mr. Daniloff was allowed to leave the Soviet Union. If this is done before the Soviet Foreign Minister, Eduard Shevardnadze, visits Washington Sept. 19 and 20th to discuss a possible summit agenda, the incident appears unlikely to remain an impediment to a meeting. If it is not done before the visit, a White House official said, it could imperil the summit. Other obstacles are more formidable. While President Reagan has displayed eagerness to have Mr. Gorbachev here, the Soviet leader has played hard to get, declining to set a date unless substantive agreements are ready to sign on arms control, the issue traditionally seen by the Kremlin as the centerpiece of the superpower relationship.

The arrest of Nicholas S. Daniloff of the U.S. News & World Report last week on suspicion of espionage, apart from its diplomatic significance, seemed to reflect that long tradition, an official attitude of distrust toward resident Westerners.

Almost all foreign reporters work in foreigners-only compounds assigned by the Government. The Soviet citizens who work for them as translators, secretaries, chauffeurs and maids are provided by a special agency of the Foreign Ministry.

It is widely assumed that the reporters' apartments are bugged and their telephones tapped. Over the decades, foreigners have learned to gesture silently at the ceiling, where a microphone is presumed to be, indicating they are about to say something they do not want the authorities to hear, before continuing a conversation scrambled by loud music and punctuated by scribbles on a note pad. Soviet employees of foreign news bureaus, as well as other citizens reporters get to know, are expected to keep track of journalists' activities and to report them.

Reporters are sometimes followed, and their cars are easy to identify. All foreign journalists' cars in Moscow have yellow license plates coded by country. Any car with a yellow plate beginning "K004" belongs to an American journalist.

There is no censorship of written dispatches, but when journalists, particularly television cameramen, try to ply their trade on the streets, police harassment is the rule. Many reporters use pay phones, rather than tapped home or office phones, when planning meetings with Russians outside the officially assigned compounds where the reporters work and live. Such outside meetings are used to avoid difficulties for the Russians, who, if they visit the reporter's apartment compound, may have to identify themselves to the armed police guard stationed at the entrance gate.

—FELICITY BARRINGER

shall D. Shulman, an adviser in the Carter Administration and now director of Columbia University's W. Averell Harriman Institute for Advanced Study of the Soviet Union. "They have started from the realization that their own economic priorities require them to get the level of military competition down somewhat," he said, "and that has compelled them to make a succession of proposals in the arms control field which go farther than anything they have ever done before." However, Professor Shulman added, "They have come to the painful realization that the dominant elements in the Administration are really not very responsive."

Indeed, the Reagan Administration is torn by such internal disputes among competing officials over arms control issues that a coherent line has been hard to find, and the President has not stepped in to resolve the disagreements.

One constant to which Mr. Reagan seems uncompromisingly devoted is "Star Wars," the futuristic concept of a space-based missile defense system that would use lasers and other technology yet to be developed. Some American experts believe Mr. Gorbachev was stung by his failure in Geneva to get Mr. Reagan to abandon or limit his pursuit of such a system. To hold another summit meeting, in Professor Shulman's analysis, the Soviet leader may require at least an agreement by the United States to defer testing and development and to limit itself to pure research. President Reagan seems unlikely to go along.

Other possible accords may be substantial enough to lure Mr. Gorbachev to a meeting, American specialists believe. If Washington agreed to join the Russians in their cessation of all nuclear testing, or extended the 1972 ban on anti-ballistic missile systems for another decade or achieved a breakthrough in limiting intermediate range missiles in Europe and Asia, a meeting could take place in late November or early December.

If such agreements cannot be arranged — and one State Department official said last week, "I'm pessimistic" — the Russians may calculate that the remaining two years of President Reagan's term are not enough time to conclude and ratify an arms treaty and that they might as well wait for the next occupant of the White House.

Xenophobic Russians Are Loath to Meet the Press

SOVIET authorities, hypersensitive to their country's image abroad and the inheritors of a centuries-old xenophobic tradition, have long made it difficult for foreign journalists to work here.

The czars, part of that tradition, created special residential districts for foreigners and maintained ruthless security services, the bureaucratic ancestors of today's K.G.B., the combination secret police and intelligence agency.

The arrest of Nicholas S. Daniloff of the U.S. News & World Report last week on suspicion of espionage, apart from its diplomatic significance, seemed to reflect that long tradition, an official attitude of distrust toward resident Westerners.

Almost all foreign reporters work in foreigners-only compounds assigned by the Government. The Soviet citizens who work for them as translators, secretaries, chauffeurs and maids are provided by a special agency of the Foreign Ministry.

It is widely assumed that the reporters' apartments are bugged and their telephones tapped. Over the decades, foreigners have learned to gesture silently at the ceiling, where a microphone is presumed to be, indicating they are about to say something they do not want the authorities to hear, before continuing a conversation scrambled by loud music and punctuated by scribbles on a note pad. Soviet employees of foreign news bureaus, as well as other citizens reporters get to know, are expected to keep track of journalists' activities and to report them.

Reporters are sometimes followed, and their cars are easy to identify. All foreign journalists' cars in Moscow have yellow license plates coded by country. Any car with a yellow plate beginning "K004" belongs to an American journalist.

There is no censorship of written dispatches, but when journalists, particularly television cameramen, try to ply their trade on the streets, police harassment is the rule.

Many reporters use pay phones, rather than tapped home or office phones, when planning meetings with Russians outside the officially assigned compounds where the reporters work and live. Such outside meetings are used to avoid difficulties for the Russians, who, if they visit the reporter's apartment compound, may have to identify themselves to the armed police guard stationed at the entrance gate.

—FELICITY BARRINGER



Nicholas S. Daniloff

Sinai Splits Mideast Still

The World

More Defiance In South Africa, And Quiet Burials

Militants defied South Africa's stringent security controls again last week, but the protests were largely contained.

In Soweto, the sprawling black metropolis near Johannesburg, the police thwarted attempts to hold mass funerals for 20 blacks shot down in earlier rioting. Firing in the air and hurling tear gas, they dispersed several thousand mourners who gathered at a stadium. At week's end, the security forces permitted quiet burial services for some of the victims in Soweto.

However, militants enforced a work stoppage that was observed, a private monitoring group said, by more than 70 percent of black manufacturing and commercial workers. The authorities denied a South African newspaper report that eight people had been killed. They had prohibited outdoor ceremonies attended by more than 200 people, as well as political speeches or signs. Before the June 12 emergency, funerals often became mass protests against South Africa's racial system.

Last week, the Supreme Court of Natal Province struck down police regulations invoked by the police commissioner to ban mass funerals, but the ruling's effect in other regions—like Soweto—was unclear.

Deciding an appeal brought by South Africa's English-language newspapers, the Natal court also overturned emergency provisions empowering the Government to seize or close newspapers accused of publishing statements it deems subversive.

However, the police commissioner, Gen. Johan Coetzee, imposed new press restrictions, reviving and expanding regulations invalidated by a court last month. Under the new rules, reporters were prohibited from being "within sight" of any restricted gathering, unrest or police action and from reporting on arrests made under the emergency decrees.

In Durban, a device that authorities said was a Soviet-made limpet mine exploded on a security-check counter in a supermarket. Twenty-one people, including several white shoppers, were injured. The authorities accused the outlawed African National Congress of responsibility.

On the diplomatic front, Foreign Minister Roelof F. Botha met an unexpected reception in Japan, South Africa's second-largest trading partner after the United States. Mr. Botha was seeking alternative sources of trade as Washington and Western Europe prepared new economic sanctions.

But Japan, which has rarely allowed political or moral considerations to take precedence over commerce, warned that it, too, might impose new sanctions unless Pretoria moves quickly to change its system.

Also last week, President Reagan extended for an additional year the limited sanctions imposed by the United States last September.

He also advised Congress, which is weighing stiffer moves against South Africa, that he will consider "additional measures" after consulting with the allies.

Two Soviet Ships Collide in the Night

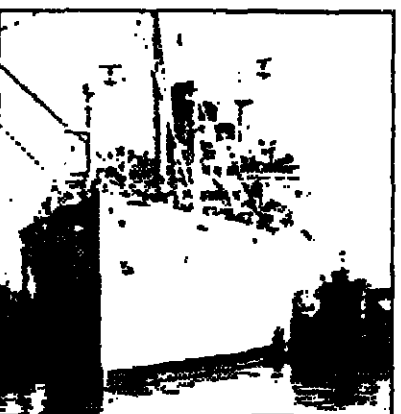
The two Soviet ships, a liner with 1,234 people aboard and a freighter carrying a cargo of oats, were supposed to pass in the night last week as they sailed in the Black Sea off the coast of southern Russia.

The pilot of the liner, called the Admiral Nakhimov, said the crew had spied the freighter off Novorossiysk and radioed a warning, to which the freighter responded: "Don't worry, we will pass clear of each other. We will take care of everything."

"I saw the freighter about to ram into our side," the pilot said. "The engines were put into reverse, but it was too late."

Within 15 minutes, the 17,000-ton, 525-foot liner sank, so quickly that there was no time to launch lifeboats.

The authorities said 398 people, all Soviet citizens, appeared to have drowned; 116 bodies were recovered, and 282 passengers were listed as missing.



The Admiral Nakhimov, which sank last week after a collision at sea.

The authorities also said that both vessels' captains knew for 45 minutes that they were on a collision course but ignored warnings, and that the captain of the Admiral Nakhimov abandoned his bridge minutes before the crash.

Yesterday Sovetskaya Rossiya, a newspaper of the Communist Party and Government, quoted the Politburo member heading the investigation of the incident as saying, "The guilt of both captains is undoubted." Both were arrested earlier in the week.

There were no injuries aboard the Japanese-built freighter, which was not seriously damaged and took part in the rescue operation.

The Admiral Nakhimov, called the Berlin when she was built 61 years ago in Germany, was ripped open between her engine and boiler rooms. Officials said last week that the vessel's age was not a factor in the accident.

The official accounts came within 48 hours of the disaster, much faster than is the Soviet custom. The relative speed seemed attributable to the policy of freer information of Mikhail S. Gorbachev, the Soviet leader.

Despite a Truce, 4 Die in Lebanon

For the 191st time since the Lebanese civil war began in 1975, a truce was declared last week.

The agreement among the several Christian and Muslim militias was arranged by the Cabinet, which also announced that it would work out a new formula for sharing national political power.

The truce took effect at noon on Tuesday, and the militias seemed to be observing it.

But on Thursday, a bomb killed three French soldiers serving with the United Nations peacekeeping force near the southern city of Tyre. Lebanese officials said the bomb detonated on a road where the soldiers were jogging. The officials said Shiite Muslim fundamentalists with allegiance to Iran were probably responsible for the attack.

The 5,800-member U.N. force separates Lebanese militias from the Israeli troops occupying a six-mile swath of southern Lebanon along Israel's northern border. Since 1978, 129 of the U.N. peacekeepers have been killed, 20 of them French.

An Israeli soldier was also killed in southern Lebanon as gunmen fired on troops raiding a Shiite village four miles north of the security zone. Four people described as guerrillas were seized and taken to Israel.

Meanwhile, the Cabinet, led by Prime Minister Rashid Karami, planned to establish a new political order that would give Muslims, who are a majority of the population, more political power at the expense of Christians.

The inability of Lebanese leaders to produce such a change has kept the civil war going for 11 years.

Iran Intercepts Russian Vessels

The Iranian Navy seems to rule the waves in the Persian Gulf.

Last week it intercepted two Soviet cargo ships to make sure they were not carrying to Iraq military goods that might be used against Iran in the two countries' six-year-old war.

It was the first time Iran, which says it routinely stops suspected ships in the Gulf, had acted against Soviet vessels.

In recent weeks, Moscow, an Iraqi supplier, has been seeking to improve relations with Iran, which is said to be making great gains in the war. They reportedly agreed to reopen the pipeline supplying Iranian natural gas to the Soviet Union.

There were conflicting accounts of what happened last week. According to shipping executives in the Gulf port of Manama, Bahrain, the Iranians stopped the Soviet freighter Pyotr Yemtov on Tuesday off the coast of the United Arab Emirates and escorted it to the Iranian port of Bandar Abbas.

The ship was forced to unload its cargo, which was found not to be of military use. The executives did not say what happened next.

The Soviet Foreign Ministry had a different story. A spokesman, Genadi Gerasimov, said at a news conference that the Iranian warship intercepted the Soviet vessel, then ordered it to make a maneuver that somehow caused the Soviet freighter to become disabled.

Mr. Gerasimov said the Soviet vessel, apparently carrying cement, was boarded at sea and searched, then taken in tow by a Soviet repair ship.

In the second interception, the executives said, Iran stopped a freighter named the Tutov, then allowed it to continue. Mr. Gerasimov said he had no information about this incident.

James F. Clarity, Milt Freudenheim and Richard Levine

Why Peres Can't Give Mubarak What He Needs at a Summit



Richard W. Murphy, left, the United States diplomat who has been seeking a breakthrough in the Middle East, meeting last week with Foreign Minister Yitzhak Shamir of Israel.

Dots on a Sinai Map Spoil the View for Egypt

By THOMAS L. FRIEDMAN

AN American official who has spent too many hours dealing with the Egyptian-Israeli dispute over the Taba border region greeted the news of the latest snag in negotiations with the cynicism that only a problem blown totally out of proportion can produce. Taba is a 700-yard stretch of sand in northern Sinai with a five-star hotel and a topless beach.

"I thought that in the last few years the Taba dispute had exhausted every form of the ridiculous," remarked the official. "But I discovered in the last few days I was wrong. It is now more ridiculous than ever."

The two-year-old attempt to work out a framework for submitting the dispute to arbitration was supposed to be completed last week, but there was an 11th-hour impasse when President Hosni Mubarak of Egypt objected to the fact that on the maps that will be submitted to the arbitrators, the place where Israel believes the border

should be marked with two multi-sided symbols instead of a single point.

Arguments over this issue and over the choice of the three international arbitrators who will decide the fate of Taba have delayed the completion of an arbitration agreement that the Egyptians wanted tied up before a proposed meeting between Mr. Mubarak and Prime Minister Shimon Peres of Israel. It now appears questionable that the meeting will take place this week as tentatively scheduled.

A United States envoy, Richard W. Murphy, has been shuttling around the Middle East, trying to help untie the Taba knot and determine whether there is any good reason for Secretary of State George P. Shultz to lend his presence to a Peres-Mubarak get-together. Last week, Mr. Murphy reportedly advised Mr. Shultz that the Middle East was not quite ripe for him — and may not be for a while.

A Convenient Excuse

If Taba were the real issue holding up the conference there might be some reason for optimism. But the truth seems to be quite the con-

trary. According to Israeli and American officials, outstanding disagreements over Taba have become only a convenient excuse for the Egyptians to delay a meeting with Mr. Peres or to force from him the concessions they want. Mr. Peres switches jobs with Foreign Minister Yitzhak Shamir in only six weeks, under their coalition agreement.

There are basically two kinds of one-on-one conferences between national leaders, those that come as the crowning of a diplomatic process and those designed to break the ice, to create momentum that sets a diplomatic process in train. The problem with the proposed Peres-Mubarak meeting is that Mr. Mubarak wants something of the first variety, while all Mr. Peres can offer is the second.

The Egyptian President, according to Israeli and American officials, believes that he cannot afford simply to get together with Mr. Peres for a nice chat that might or might not kick-start the stalled peace process.

Mr. Mubarak is said to believe that in the wake of the American attacks on Libya and in view of his own desire to re-establish Egypt's relations with moderate Arab countries, any meeting with Mr. Peres has to produce tangible Israeli concessions that will justify the encounter and deflect criticism of radicals at home and abroad.

At minimum, Mr. Mubarak was apparently hoping for some Israeli agreement on self-determination for the Palestinians and an expressed willingness to negotiate with some kind of Palestinian delegation at an international conference.

Mr. Peres, for his part, can really offer only a summit that tries to improve the atmosphere and maybe lays down some vague guidelines for a process that Mr. Shamir would be obliged to continue. Mr. Peres cannot promise much more because he is shackled by his coalition agreement with the Likud, under which he and Mr. Shamir are exchanging posts.

More importantly, he is restrained because he has already chosen to help Jordan's King Hussein in a long-term project to either neutralize or "Jordanize" the Palestine Liberation Organization and create an alternative pro-Jordanian Palestinian leadership in the West Bank. While Mr. Mubarak has been trying to bring a "genuine" P.L.O. into negotiations to give him an Arab cover for anything he does with Israel, Mr. Peres and King Hussein are trying to close the P.L.O. out once and for all.

Should Mr. Mubarak decide to set aside the unresolved Taba dispute and "consent" to a quick photo-opportunity meeting with Mr. Peres, simply to placate him and the Americans, the whole process could backfire. It will not offer the breakthrough Mr. Mubarak needs or the chemistry Mr. Peres hopes for. The Israeli public will resent a token gesture, and the absence of progress will be exploited by extremists.

"The price of such a meeting will be false expectations and the reaction from Shamir and company," said Meron Benvenisti, a West Bank expert. "When it ends with nothing, the extremists will all say: 'I told you so. There is nothing to talk about with the other side.' The minority of Palestinians and Israelis who are really seeking a solution will be undermined once again."

Businessman Accused of Giving Economic Data to U.S.



Guillermo Quant, a Nicaraguan businessman accused as an American agent, at a news conference in Managua.

Nicaragua Finds C.I.A. Behind Every Mishap

By STEPHEN KINZER

THE rains were late this year, and the pro-Sandinista newspaper Nuevo Diario said it knew why. Under a banner headline Aug. 10, the paper said the drought had been created artificially by United States agents working out of a secret American base at Tiger Island in the Gulf of Fonseca, which borders Nicaragua, Honduras and El Salvador.

The plan was said to have succeeded in cutting agricultural production both in Nicaragua and in guerrilla-held territory in eastern El Salvador, while forcing affected families in Honduras to move out of parched areas, which the United States supposedly covets for use as clandestine bases. Two days later, the skies over Central America opened for a torrential downpour. On Aug. 13, a Nuevo Diario headline announced: "Rain all over the country; jubilation among farmers hit by drought." There was no mention of a United States plot.

The Central Intelligence Agency, a powerful symbol, both as myth and reality, is always in the

news here. The Government has accused nearly every opposition leader and organization of being tied to it.

In the latest accusation last week, Nicaraguan security agents held a news conference to present Guillermo Quant Tai, a businessman and vice president of the Chamber of Commerce, who had been held incommunicado for two weeks after being arrested on a traffic charge.

Mr. Quant confessed to providing economic information — none of it secret, he said — to American agents. He was led away after the news conference, and the Government did not say what it would do with him.

Unanswered Questions

Mr. Quant's brief public appearance raised as many questions as it answered. What had he gone through in the two weeks since his arrest? Was he an important agent or an innocent victim? Why did the police wait four days after arresting him before conducting a search of his home that, they said, turned up tools of espionage?

Some of those accused of complicity with the C.I.A. may indeed have such ties, but the charges have been repeated so often, and against such a

large number of people and institutions, that many Nicaraguans pay them little heed.

The contention that United States agents caused the drought may do more to hurt Nuevo Diario's already limited credibility than to foment indignation among Nicaraguans.

There is an often-repeated joke in Managua to the effect that the C.I.A. station chief must have the easiest job in the country. The Sandinistas make so many blunders, it goes, that he hardly has to lift a finger to make them look bad.

A Public Confession

Some Sandinista accusations have proven false. Interior Minister Tomas Borge asserted, for example, that C.I.A. agents had killed a Salvadoran guerrilla commander in Managua in 1983. It was later learned that the rebel officer had been killed by rival guerrillas.

Other allegations, however, appeared to be based on fact, such as the arrest and conviction earlier this year of two Interior Ministry officials. One confessed in public; the other was never presented to reporters and died in his jail cell June 4, reportedly a suicide.

While many of the accusations seem improbable, diplomats and neutral observers in Managua agree that United States intelligence agencies are indeed active here. Clandestine operations, they say, are roughly divided into two categories.

First, there is American support for the Nicaraguan rebels, or contras, a vast project and something of a departure from the intelligence agency's more usual cloak-and-dagger tactics.

The contra war, in which the C.I.A. plays a leading role, is run principally from the United States Embassy in Honduras. Under the former Ambassador, John D. Negroponte, the embassy became the nerve center for the anti-Sandinista battle. Mr. Negroponte's successor, John Ferch, tried to re-emphasize diplomacy, but he was abruptly dismissed three months ago and has not been replaced.

Another major anti-Sandinista effort by the C.I.A. here is the interception of communications, which is believed to be among the most effective of the agency's operations. Other activities, considerably smaller in scope but perhaps even more valuable, are widely believed to be run by agents listed as American diplomats.

Soon after the arrest of the Interior Ministry officials in March, two American diplomats they implicated — a young consular officer and a political officer said to have been the Managua station chief — left their posts.

The Sandinistas boasted that discovering the two apparent agents proved the efficiency of their counterintelligence operation, which is run by the Deputy Interior Minister, Luis Carrión Cruz, with the help of Cuban and East German advisers.

But some in Managua saw it differently. "If the C.I.A. can have two lieutenants in the Interior Ministry on their payroll," said a South American ambassador, "I have trouble seeing that as a Sandinista victory, even if they get caught."

Washington Offers Convenient Target at Third World Meeting

Sanctions Test Mettle Of Leaders At Harare

By SHEILA RULE

HARARE, ZIMBABWE — Heads of state and other officials of the 101 members of the Nonaligned Movement celebrated the organization's 25th year last week in this well-tended southern African city, amid congratulatory statements mixed with strident calls to self-destruct.

The leaders, addressed sometimes as comrades, sometimes as excellencies and attired in colorful national dress, military uniforms and finely tailored business suits, delivered their lengthy speeches as aides struggled in private to draft policy statements.

When the movement was founded in 1961, the main leaders — Tito of Yugoslavia, Nehru of India, Sukarno of Indonesia, Nkrumah of Ghana and Nasser of Egypt — hoped to carve out an independent niche that would protect fragile nations of medium and small size from domination by the Soviet Union and the United States. At a time when the colonial powers were relinquishing their grip on the third world, they affirmed commitments to peace and disarmament, independence and self-determination, economic development and support for the United Nations.

Today much of the promise of those early years has diminished, delegates say, even in the eyes of some member states. The organization has gained a reputation for weakness and for dealing principally in talk. Some delegates added that the paucity of heads of state at last week's meeting — they represented only about half the members — underscored the feeling that the movement had become unwieldy and ineffective. One leader who did attend, Col. Muammar el-Qaddafi of Libya, castigated it as "useless" and a "funny movement." He threatened to withdraw.

Nonetheless, some members insist that the organization's accomplishments — helping to protect their sovereignty and economies — outweigh its negative aspects. That is why, they say, it has grown rapidly and includes such a hodgepodge of ideologies.

Delegates leveled what the State Department complained was a "litany" of denunciations against



Prime Minister Rajiv Gandhi of India, the outgoing chairman of the Nonaligned Movement, with the chairman designate, Prime Minister Robert Mugabe of Zimbabwe, in Harare last week.

the United States for what they described as "imperialist" policies in South Africa, South-West Africa, Nicaragua and the Middle East. The accusations were reiterated in draft declarations prepared beforehand. By one count, these drafts contained 54 explicit attacks on the United States and only one muted criticism of the Soviet Union, for keeping troops in Afghanistan, a member of the group.

Prime Minister Robert Mugabe of Zimbabwe, the movement's new chairman, accused the United States of "international bullying" in bombing Libya in April and backing rebels seeking to overthrow the

Governments of Angola and Nicaragua. As chairman, Mr. Mugabe is expected to pursue the relatively moderate tone adopted by the movement's spokesmen in recent years, since Fidel Castro unsuccessfully urged that the Soviet Union be appointed as the "natural ally" of developing countries.

But the Reagan Administration made clear its displeasure. The State Department said the attacks against the United States were "highly offensive and counterproductive" and raised basic questions as to the group's "objectivity and political bias."

Some members believe President Reagan has grown increasingly hostile to the nonaligned philosophy as he tries to reassert what they see as United States world dominance. The Administration decided to cut off further economic aid to Zimbabwe after a Zimbabwean Cabinet official denounced United States policy at the July 4 American Embassy reception in Harare. The embassy insisted that the timing of the announcement last week was a coincidence and that the decision was made before the Harare meeting and had been triggered by Mr. Mugabe's refusal to apologize. But many delegates saw it as a slap at the movement and said it would only strengthen their resolve to chart their own course. They added that the Soviet Union was currently more sympathetic to their cause.

"The Americans believe that every time we condemn the West we must find something with which to condemn the Soviet Union," said Archibald W. Singham, a political science professor at the City University of New York who has attended the movement's major meetings since 1975 and was an adviser to the Zimbabwe Government. "The nonaligned movement does not work by arithmetic," he said. The vast majority of its problems have their roots in the West, he added, citing "the struggle for equal rights in southern Africa" and the fight against protectionism in the industrialized countries.

Many delegates believe South Africa may be the test that will decide whether the movement can act effectively. Mr. Mugabe favors economic sanctions to pressure the Pretoria Government and, at the same time, help for South Africa's neighbors to withstand probable retaliation and other adverse consequences. Most of the member countries can agree on that, at least verbally, but whether they will back their words with action is another question.

"They've got a great chance to show that they have influence and can do something that has a practical effect," said a longtime student of the movement. "If they fail, it will be just another of many lost opportunities."

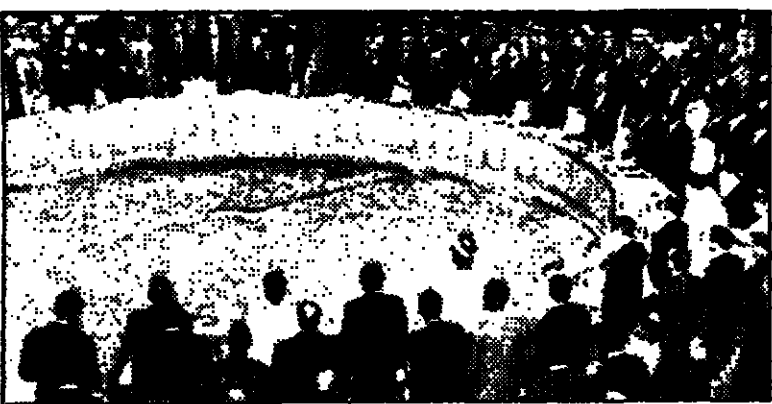
Nonaligned Always Leaned Leftward

SEeking strength through numbers, Yugoslavia's maverick Communist leader, Josip Broz Tito, joined with Gamal Abdel Nasser of Egypt and Sukarno of Indonesia in summoning 21 other leaders, most of them African and Asian, to Belgrade in 1961. The Soviet Union saluted this founding meeting of the Nonaligned Movement by detonating a nuclear test, thus ending a moratorium that leaders of nonnuclear countries had lauded.

From the beginning, the group's members included a few United States friends, like Haile Selassie of Ethiopia and Habib Bourguiba of Tunisia, as well as adversaries like President Osvaldo Dorticos Torrado of Cuba.

At first, the movement stressed independence for Algeria and other colonial territories and ending South Africa's apartheid policy. It attacked foreign military bases, specifying the United States base at Guantanamo, Cuba, and it called for banning nuclear tests but did not mention the Soviet move.

Nonalignment was defined as the pursuit of independent policies,



Members of the second Nonaligned Nations' Conference during a moment of silence at the opening session in Cairo in 1964.

free of military alliances. But as the membership grew to 101, including two noncountries, the Palestine Liberation Organization and South-West Africa Peoples Organization, the definition was loosened. Among members with ties to Moscow, Cuba can now find brothers in Afghanistan, Cambodia, revolutionary Ethiopia, Laos, Nicaragua, North Korea, Southern Yemen and Vietnam. A few, includ-

ing Grenada, Jamaica, Jordan, Morocco, Pakistan and Zaire, are United States friends.

Under Arab pressure, the group damned "Zionism as a form of racism" and condemned Egypt for making peace with Israel. With Indira Gandhi of India, and later her son Rajiv, as chairmen, the emphasis shifted somewhat to economic — rescheduling third-world debt and increasing credits.

Witnessing in Cape Town

Archbishop's U.S. Friends Are Legion

By NEIL A. LEWIS

DOZENS of Desmond M. Tutu's American supporters were in South Africa this weekend to celebrate his installation as Archbishop of Cape Town, the head of the Anglican Church in South Africa. He has attracted a widening circle of admirers — and lately a few vocal American detractors. He found many of his friends first in the church and later in black political and civil rights circles. More recently, show business personalities such as Stevie Wonder and Harry Belafonte have joined his supporters.

Many Americans regard the Archbishop, who was awarded the Nobel Peace Prize in 1984, as a symbol of justice amid racial conflict. "Given the situation and the dire suffering in South Africa, he is probably one of the most articulate voices that exists in seeking justice and equality," said Presiding Bishop Edmund L. Browning of the Episcopal Church.

Bishop Browning said he was going to the Cape Town ceremony to honor an old friend in world Anglican circles and to repay a courtesy. Archbishop Tutu attended his installation in January as head of the Episcopal Church in America. Bishop Browning said he also wanted to demonstrate American support at a time when the South African Government is showing annoyance with Archbishop Tutu's statements urging the West to impose economic sanctions. When he returned home from an overseas tour last month, a Cabinet Minister suggested his remarks had bordered on treason.

Archbishop Tutu is not, however, universally admired in the United States. Some Americans have criticized his support for sanctions. Others were upset by his strong reaction to President Reagan's July speech on South Africa. He said it was "the pits" and the West could "go to hell."

Another of his longtime American friends is Arthur B. Krim — the chairman of Orion Pictures Corporation, and informal adviser to several Democratic Presidents — and his wife, Dr. Mathilde Krim, a cancer researcher. The Bishop and his wife have occasionally been guests at the Krims' luxurious town house on the Upper East Side of Manhattan.

Mr. Krim, as board chairman emeritus of Columbia University, went to Johannesburg in 1982 and took part in presenting Bishop Tutu with an honorary degree. South Africa had presented New York award ceremony, revoking the Bishop's passport to censure his outspokenness. "He first came here under church auspices," Mr. Krim said. "Over the years he has come to know many supportive Americans. Now when he comes here we have a crowd: foundation people, people in academia and the like."

The Archbishop has also helped raise money for TransAfrica, a Washington-based advocacy group for African and Caribbean causes. They asked him to speak at a fund-raising dinner in 1981, but his passport was denied that time, too. Said Cecelia Counts, of TransAfrica: "Since he won the Nobel Prize, he's had a new circle of acquaintances, but he certainly keeps his old friends."

The newer circle was in evidence during his American tour in January, which raised \$618,000 for the South African Council of Churches. His itinerary was arranged by Lia Belli, who is prominent in California political circles; her husband is Melvin Belli, the San Francisco attorney. One stop was a Beverly Hills brunch arranged by a record producer at which the guests included Pat Boone and Diana Ross, the pop music stars; Norman Lear, the television producer, and Georgia Frontiere, owner of the Los Angeles Rams football team. "It's been in the last year that this association has mushroomed," said Maxine Waters, a member of the California Legislature. She helped push through the recent resolution requiring California state agencies to sell their holdings in companies doing business in South Africa.

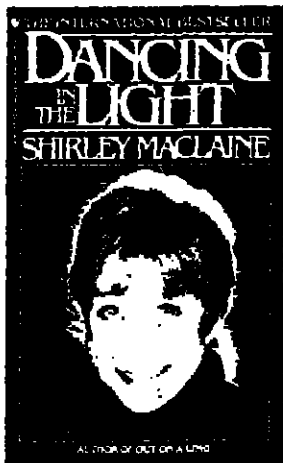


The New York Times/Jack Manning
Archbishop Desmond M. Tutu

THE JERUSALEM POST

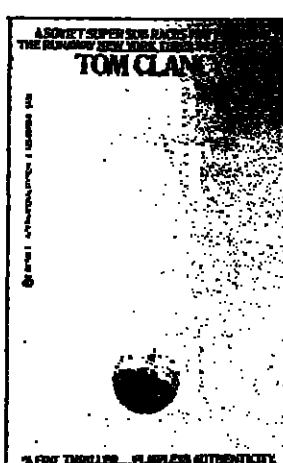
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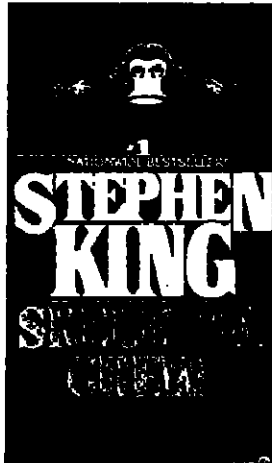
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The Nation

Troubled Times Are Continuing On the Tarmac

Edward J. Daly, who started World Airways in 1950 with \$50,000 won in a poker game, was an early champion of deregulation. When route and fare controls were lifted in 1978, his airline was one of the first to set off a price war with its low fares. But by 1982, two years before his death, Mr. Daly was calling for reregulation, warning that the fierce competition in the skies was "disastrous."

For several carriers, including his own and Eastern Air Lines, it turns out that he was right. World Airways, which serves eight United States cities, London and Frankfurt from its base in Oakland, Calif., announced last week that it will end its scheduled flights Sept. 15 and lay off 1,500 employees, more than half its staff. The carrier will concentrate instead on its charter and aircraft maintenance services.

"Basically, it's a question of economics," said Jerrold Scott Jr., World's chairman. "We believe in the first six months of this year we lost \$25 million."

While the World Airways move reflects the deep trouble facing no-frills carriers, Eastern Air Lines demonstrated last week what happens to an established carrier that is forced to compete head-on with them.

A week after Eastern's chief rival, People Express, announced the bankruptcy of its Frontier Airlines subsidiary, Eastern said it would lay off 1,534 of its 41,300 employees in an

effort to stem huge losses. The company said the layoffs, which will come mainly in management and maintenance jobs, and other cost-cutting measures would not hurt service. The airline lost \$157.4 million in the first half of 1986 and has had an unusually high number of flight cancellations because of maintenance backlogs.

The end of the World Airways flights is expected to have a minimal effect because it is so small. But analysts say the shutdown of Frontier will probably bring higher fares and some reduced service to Denver, a major airline hub.

Texas Struggles To Pay Its Bills

Plunging oil prices have brought Texas, a state accustomed to plenty, the personal agonies of rising unemployment and the fiscal pain of shrinking revenues, the travail that once afflicted Northern industrial states.

There has been political discomfort as well, particularly for Governor Mark White, a Democrat who is facing a tough re-election challenge and was forced last month to convene a 30-day special session of the Legislature to deal with a \$3.5 billion deficit, the state's first since the early 1960's.

Last week, he had to do it again in an effort to resolve what seemed to be an irreconcilable disagreement between those who would break with Texas tradition and raise taxes to preserve public services — despite recent additions, among the nation's stingiest — and those who would cut the services.

The second emergency session starts tomorrow, with many members of the House still hoping to patch together what they candidly call a "Band-Aid" remedy of spending cuts and bookkeeping devices to keep the state from bouncing checks until the new legislative session opens in January.

There are actually two fiscal crises. One is meeting the legal mandate to balance the state's \$37.2 billion budget for the two-year period ending Aug. 31, 1987. The other is maintaining sufficient cash flow; treasury officials say Texas could be \$200 million in the red by December.

Mr. White's supporters hope passage of his proposed solution, a one-year increase in the sales tax, from 4 1/2 to 5 1/4 percent, will lend him the aura of a courageous figure who takes unpopular but necessary stands.

His opponent, former Governor Bill Clements, a Republican who is ahead in public opinion polls, had said he would veto any new taxes. Now Mr. Clements says he opposes them only in the special session.

Both Parties Face Runoffs in Florida

In Florida, where economic growth has been propelled in large part by an influx of retired people and white-collar workers from other regions, politics often reflects national as much as regional trends. It did so again in the Republican and Democratic gubernatorial primaries last week.

If the winners of runoff elections set for Sept. 30 are last week's leaders, the Republicans will have a former Democrat as their candidate, and the Democrats will have a liberal who has given himself a more conservative new look. Their victories, however, are by no means assured.

Mayor Bob Martinez of Tampa, who took 45 percent of the Republican vote, did not switch parties until 1983, and regularly resents his support of President Carter in 1980. The runner-up, Lou Frey, a former United States Representative from the Orlando area who was one of the pioneers of Republicanism in Florida, won 24 percent of the vote.

As for the Democrats, Steve Pajcic, a former State Representative from Tampa Bay, took 36 percent of the primary vote, with Jim Smith, the Attorney General, close behind.

As in the primary campaign, the candidates in the runoff are expected to emphasize their views on crime and capital punishment. Mr. Smith's close association with the issues could give him the edge over Mr. Pajcic, who only recently dropped his opposition to the death penalty.

Senate Countdown

In the race for United States Senate in Florida, the incumbent, Paula Hawkins, a first-term Republican, had only token primary opposition, as did Gov. Bob Graham, a popular Democrat who is not eligible for a third term in the Statehouse. Mrs. Hawkins, whose campaign was interrupted by back surgery, is considered vulnerable.

The Florida Senatorial race is among those closely watched by the national parties. The Democrats need only a net gain of four seats to take control of the Senate again, and there are 22 Republican seats at stake this year. Another of them is in Nevada, where Senator Paul Laxalt, possibly President Reagan's closest ally and a possible Republican Presidential contender, is retiring.

In Nevada's primary last week, Representative Jim Santini, whom national Republican leaders lured away from the Democrats as their best hope to keep the seat Mr. Laxalt now holds, won more than 80 percent of the Republican vote over two little-known opponents. On the Democratic side, Representative Harry Reid took more than 82 percent of the vote in the race against Manny Beals, a businessman.

The race is expected to stay close to the end, and perhaps, as is the custom in conservative Nevada, too close to call. In 1984, Mr. Laxalt lost by 48 votes; in 1974, he won by 624. Mr. Santini is attempting to cast Mr. Reid, who describes himself as a moderate, in the role of a liberal closely associated with House Speaker Thomas P. O'Neill Jr. Mr. Reid is portraying Mr. Santini as a party turncoat and a lazy legislator who missed dozens of key votes.

Caroline Rand Herron



The Toyota Corolla FX-16

A New Breed of Import Made in the U.S.A.

THE sporty white FX-16 subcompact that rolled off the assembly line at Fremont, Calif., last week was the first of a new class of made-in-America Japanese cars. No other such vehicle is the product of a joint venture between a Japanese and an American automaker, and none other bears a union label.

While it is unclear that the United Auto Workers, whose members assembled the Corolla FX-16, will be part of this wave of the future — at their United States plants, the Nissan Motor Corporation and the Honda Motor Corporation have discouraged organizers — joint ventures seem to be here to stay.

The FX-16 was a product of New United Motor Manufacturing Inc., which is owned by the Toyota Motor Corporation and the General Motors Corporation. The Chrysler Corporation and Mitsubishi Motors Corporation will have subcompacts assembled in the Middle West on the

market in 1988; the Ford Motor Company has arranged with the Mazda Motor Company to buy made-in-America Mazdas and sell them as its own brand.

The impact of imports was clear far beyond Fremont last week. With the effects of their latest incentive game not yet felt, the domestic automakers said car sales fell in late August from a year earlier, while imports said August sales rose 11.5 percent. American Motors Corporation meanwhile took incentives to their ultimate, topping the Big Three's new low rates with a two-year interest-free loan on most models.

Though cheered by the week's other economic reports — a one-tenth of a point drop in unemployment in August, to 6.7 percent, and healthy retail sales — some economists fretted nonetheless. Their concern is that retail sales growth will be stunted as consumers turn income and savings to the good deals on American cars.

Study Shows Increase in Office-Holders but Not in White Voter Support

Political Gains For Blacks Lag in State Legislatures

By JOHN HERBERS

THE announcement last month of another substantial increase in the number of black elected officials in the United States has renewed speculation that the Irish record of entering politics as a means of overcoming poverty and discrimination will soon be rivaled. But the figures also pointed up a major barrier to black political achievement that other ethnic groups did not face — the unwillingness of the white majority, except in unusual circumstances, to vote for blacks running against whites.

The number of black officeholders increased by 13 percent, to 6,424, in the two years that ended in January, according to the Joint Center for Political Studies. In 1985 alone, the center reported, there were increases "in every region and in every category of office for which elections were held." Eddie N. Williams, president of the center, said an "unprecedented number" of black candidates were running this year — 64 for Congressional seats, twice as many as in 1982. But in an arena of growing importance, the state legislatures, there are only 396 black members, according to the center. That is an increase of only 11, or 3 percent, in two years.

Both national parties are spending time and money on the legislatures this year. Two things are at stake: the ability to redraw Congressional and legislative districts and to rebuild the parties at the grass roots. Because almost all blacks in the legislatures are Democrats and because Republicans have been making gains on the state level, the struggle is of prime importance to blacks, Mr.



State Senator Julian Bond, above; John Lewis waving to supporters after winning the Democratic nomination in Georgia's Fifth Congressional District last week.

Williams and others familiar with the trend say. While districts with black majorities have increasingly been sending black legislators to the state capitals, black candidates have not been able to make substantial progress in the many districts with white majorities.

The importance of the white vote was clear last week in an Atlanta Congressional district in which 60 percent of the population is black.

John Lewis, a black civil rights activist, won the Democratic nomination over a more widely known veteran of the movement, State Senator Julian Bond, largely because Mr. Lewis won 75 percent of the white vote. The whites apparently perceived Mr. Lewis as a better representative of their interests than Mr. Bond, a flamboyant

spokesman for black politics on the national level.

Thus, in Georgia's Fifth Congressional District, a white minority played the crucial role black minorities have assumed for many years in races involving white candidates — voting for the person they think best represents their interests and providing the margin of victory.

There have, of course, been contests where the issue of race has been overcome. Tom Bradley, the black mayor of Los Angeles, almost won the election for Governor of California four years ago and is a candidate again this year. William Lucas of Michigan, the black executive of Wayne County who switched from the Democratic to the Republican Party, this year won the Republican gubernatorial nomination over white candidates.

Plans Call for Memorializing Civil Rights Era in Birmingham and Memphis

Recalling View from the Back of the Bus

By WILLIAM E. SCHMIDT

LAST spring, the state and local governments here pledged \$8.8 million toward turning the aging Lorraine Motel into a National Civil Rights Center. It was at the Lorraine that Dr. Martin Luther King Jr., standing on a balcony, was cut down by an assassin's bullet in 1968.

In Birmingham, Ala., officials have allocated \$2.5 million toward the creation of a Civil Rights Museum that will include among its exhibits the cell where Dr. King was jailed in 1963, when he led mass demonstrations against the city's segregation laws.

And in Jackson, Miss., the State Historical Museum recently opened a room devoted to displays on the civil rights struggle, including the charred frame of a cross once burned at a Ku Klux Klan rally and shards of glass and nails recovered from the debris of Mississippi churches bombed 20 years ago.

Two decades after the campaign for civil rights convulsed the South and wrought permanent change in the nation's social and racial fabric, politicians, scholars and

civic leaders have undertaken a variety of projects intended to memorialize that struggle, one of the most sweeping social movements in American history.

There is, perhaps, a historical inevitability to what is happening, since each year marks the anniversary of some moment of the 1960's, when protesters poured into the streets in scores of cities, and blood flowed not only in Selma and Memphis and Birmingham, but also in Cicero and Boston.

James Oliver Horton, a professor of American history at George Washington University, sees a major revival of interest in the civil rights era, which has coincided in part with the first observance, in January, of the national holiday honoring Dr. King. "Not only have we moved far enough from the civil rights era to begin to understand its impact on history," he said, "but a generation of civil rights leaders has come of age. Many of them are now elected officials or people in positions of power who have the ability to make projects like these happen."

David Vann, who was Mayor of Birmingham from 1975 to 1979, the last white elected to the post, said the decision to build the museum there showed that both blacks and whites are trying to come to grips with the history of what was once known as the most segregated

city in the nation. "People have begun to realize that the best way to put it behind us is to acknowledge that it is history," he said.

But among many blacks, a tendency to look back may also reflect yearning for the solidarity of the past and frustration with the policies of the Reagan Administration. As D'Amry Bailey, a black lawyer in Memphis who pushed for the Lorraine project, explained, "If young and old and black and white alike can go back to places like the Lorraine Motel and contemplate the spirit of unity and purpose and sense of self-sacrifice that motivated us and brought us achievements in the past, it will be like a refueling process, an opportunity to recover some of that spirit."

Plans for memorials are not confined to the South. In Gary, Ind., Mayor Richard Hatcher sponsored a telephone last month to raise money for what he calls the National Civil Rights Museum and Hall of Fame. Charlene Crowell, an aide to Mr. Hatcher, described it as a black statement at a time when the larger mood of the nation tends to regard the black experience as irrelevant.



D'Amry Bailey, a supporter of a civil rights center in Memphis.

"The whole Statue of Liberty celebration this summer proved the point," she said. "The Liberty celebration was not for black Americans many of whom did not come to America voluntarily. It did not speak to the black experience."

Benjamin Lawless, former director of exhibitions at the Museum of American History of the Smithsonian Institution, who wrote the proposal for the Lorraine project, sees in the memorials to the movement a way to inculcate in young blacks a more visceral sense of their own recent history. "There is a new generation today that has had no personal involvement in the struggle for civil rights," he said. "They don't understand what it was like to be forced to sit in the back of the theater or the back of the bus."

The Memphis plan would convert the Lorraine into a block-square complex where visitors would be led through the history of the civil rights movement until Dr. King's assassination. Officials hope to open the museum by April 4, 1988, the 20th anniversary of his death.

Today, the aging hotel is in disrepair. It still rents rooms to travelers, but the room where Dr. King stayed has been permanently sealed off. On the door facing the motel parking lot, there hangs a mourning wreath.

Why a Diamond Cartel Is Forever

By buying up gems even in hard times, the C.S.O. keeps control of the marketplace.

By STEVE LOHR

LONDON. SOON after Cecil Rhodes showed up on the diamond fields of South Africa in 1871, he seized on the business concept that still drives the diamond industry worldwide: monopoly.

Forsaking prospecting, he bought a steam-powered pump for sucking water from flooded diamond mines. It was the only such pump in South Africa. Faced with severe flooding, the small mine operators soon ran out of cash to pay their sole pump supplier. So they sold their mining claims to Mr. Rhodes, the founder of the De Beers Consolidated Mines Ltd.

Sir Ernest Oppenheimer, a British diamond trader who emigrated to South Africa and who eventually succeeded Mr. Rhodes as head of De Beers, adopted the same strategy. His goal, Sir Ernest once said, was to make De Beers the "absolute controlling factor in the diamond world."

To Sir Ernest, that meant control of marketing as well as supply. In the 1930's, he bought out the main wholesale diamond bourse, the "Syndicate," a group of Jewish merchants who had dominated trading since the 19th century.

The buyout paved the way for the creation of the Central Selling Organization, the London-based diamond marketer still controlled by De Beers. Today, the C.S.O., headed by 41-year-old Nicholas Oppenheimer, the deputy chairman of De Beers and a grandson of Sir Ernest, has emerged as probably the world's most successful monopoly. At a time when some commodity cartels, like OPEC, are battered, and others, like the International Tin Council, have collapsed altogether, the C.S.O. is proving to be that rarest of species in the 1980's — a cartel that works.

Historically, the C.S.O.'s strength derived largely from the marketing of South African diamonds, most of them shipped from De Beers' mines. But, with only 15 percent of world-wide diamond production originating today from South Africa, the cartel has managed to work out purchasing pacts with the other major pro-

ducers, including Zaire, the Soviet Union, Botswana, Namibia and Australia. "Any producer would think twice about turning its back on the C.S.O.'s enormous and proven marketing muscle," said Michael Gordon, an analyst for James Capel & Company, a London brokerage.

That muscle includes C.S.O.'s willingness to buy diamonds at reasonably high prices, even in recent periods of oversupply. And producers are able to use their C.S.O. agreements as collateral for bank loans needed to develop costly mines.

As for the C.S.O.'s customers, they can count on the cartel's aggressive marketing machine to create demand for diamonds. These customers — a select group of some 300 traders, cutters and wholesalers — are invited to London every five weeks to look at rough diamonds that the C.S.O. has sorted into 5,000 classifications based on shape, size, color and quality. The buyers are offered small boxes of assorted diamonds at a C.S.O.-set price on a take-it-all-or-leave-it basis. Those with the temerity to walk away tend not to be invited back, at least not for a while.

The reason the monopoly has endured is that it works so well," said Hugh Wilmer, an analyst for Dean Witter Reynolds in Toronto.

These days, the cartel is not just enduring, it is thriving. Diamond demand is up worldwide, after a slack period in the early 1980's. In the United States, the world's largest retail diamond-jewelry market, retailers report rising sales this year.

In fact, the only uncertainty looming over the cartel is the turbulent political climate in South Africa. The threat is an indirect one. Diamonds are thought to be the commodity least likely to be included in any sanctions imposed by the West. Moreover, since several black African nations and the Soviet Union sell diamonds through the C.S.O., even an overthrow of the Pretoria Government, say some, could leave the diamond monopoly unaffected.

Nevertheless, diamonds are widely identified with South Africa and apartheid in the mind of the public, despite the fact that most of the world's diamonds originate elsewhere and despite the Oppenheimer family's well-known opposition to apartheid. They point out that the prospect of a consumer boycott cannot be ruled out.

Some leading members of the diamond fraternity are already grappling with the image problem. Diamond merchants, for example, are considering a change of venue for the next World Diamond Congress, now scheduled for South Africa in 1988. "If it is bad for the image of the diamond industry, we will not go there," Ed Goldstein, president of the World Federation of Diamond Bourses, said two months ago.

"The marketing of diamonds is potentially sensitive to political pressures and public opinion," said Peter Miller, analyst at Shearson Lehman Brothers in London. "That could be a problem for De Beers and the C.S.O."

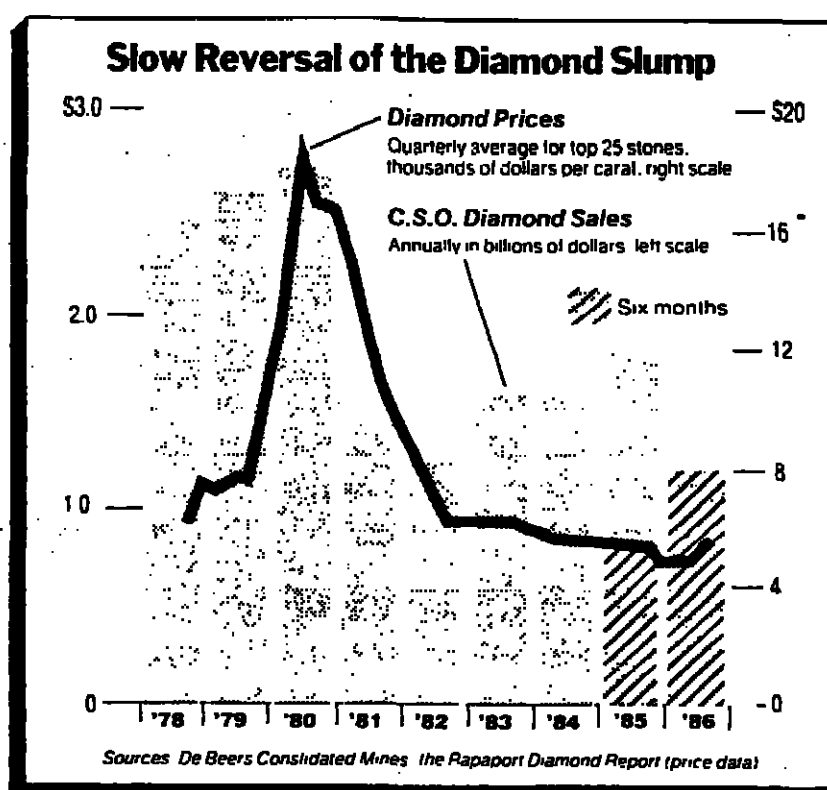
THE C.S.O., to be sure, has already been severely tested in recent years. After the second oil-price shock, starting in 1979, inflation fears led to a soaring investment and speculation market for diamonds. For a while C.S.O.'s buyers were even able to quickly resell their boxes of uncut diamonds for twice the C.S.O. price. The brief boom had some speculators holding a small mountain of diamonds.

When the inflation psychology reversed with a vengeance in the early 1980's, the C.S.O. feared that the speculators would dump their diamonds on the market and that prices would plummet. So to keep its price-setting grip, the cartel bought back many of the diamonds and held them off the market, even though financing the hoard strained the corporate pocketbook of its sponsor, De Beers. The C.S.O.'s stockpile grew from \$360 million worth of diamonds in 1979 to a peak of just under \$2 billion in 1984, as De Beers cut costs, and production, by shutting down two mines and trimming its work force by 25 percent.

At the time, newspaper and magazine writers dubbed it the "Diamond Debacle" and predicted the demise of the cartel. But the C.S.O. held on to its costly stocks. It also sharply increased its advertising budget to increase sales of jewelry, whose retail prices had remained at a fairly stable level throughout most of the 1980's, thanks to the cartel's control of the wholesale market.

And it worked to maintain its grip on diamond producers. Zaire tried to break out of the cartel in 1981, but returned to the fold after the C.S.O. dipped into its stockpile to flood the market with low-quality diamonds similar to those from Zaire to drive down the price.

Moreover, when it appeared that the big Argyle mine in western Australia would refuse to sell its diamonds through the C.S.O., after the Labor Party protested that Australia might do better elsewhere and that any deal with De Beers would be seen as support of apartheid, the cartel put its clout into play.



The Argyle mine started its operations in 1983, with the diamond market depressed, so a stable contract with the C.S.O. became suddenly attractive. Moreover, the mine operators were able to use C.S.O. purchasing pacts as collateral for the bank loans needed to develop capital-hungry diamond mines.

This year, with diamond sales picking up worldwide — as a strong yen fuels the Japanese market and as lower interest rates encourage borrowing for luxury items — the C.S.O. looks stronger than ever. "The recession," said Mr. Zale said.

Meanwhile, both De Beers and the C.S.O. have used the lure of their expertise and marketing muscle to enter into joint ventures with new pro-

ducers. The Jwaneng mine in Botswana, north of South Africa, is brimming with large diamonds, for example, making it perhaps the most important diamond find since the discoveries at Kimberley, southwest of Johannesburg. It could have been troublesome for the cartel if Jwaneng were beyond its control.

Needless outside capital, and production and marketing skills, however, the Botswana Government decided to take on De Beers as a partner, giving it half ownership of the Jwaneng mine, which began operating in 1982. The Botswana Government now gets 70 percent of the profits, while De Beers and the C.S.O. retain their firm hold on the industry.

BUT controlling the supply of diamonds is only half of the C.S.O.'s job. Its other vital chore is to create demand. Indeed, it was partly the steadily rising retail demand for diamond jewelry, even during the industry recession of the early 1980's, that enabled the cartel to hold together.

In the United States, the diamond's image as a "gift of love" has been assiduously and successfully nurtured since Harry Oppenheimer, concerned about flagging American sales, visited the New York advertising firm of N.W. Ayer in 1938. It led to a classic marketing campaign best remembered for the slogan: "A Diamond is Forever." Linking diamonds to romance was not only a clever selling play but also crucial to the C.S.O.'s control of the market. An item imbued with lasting sentiment was more than a valuable gem to be disposed of in hard times. And keeping diamonds, once sold, off the market is vital to the cartel's strategy.

Since 1980, the C.S.O.'s advertising and promotion spending has increased threefold, to \$100 million. It also spends \$20 million for cooperative ads with retailers.

In recent years, the C.S.O. has pushed new categories of diamond jewelry. It has found some success with men's diamond jewelry, with retail sales of men's rings, bracelets and the like rising to \$1.08 billion last year, from \$879 million in 1982. But the real breakthrough has come in the so-called anniversary rings for women. In 1982, there were 511 diamond anniversary-type rings sold in America, at an average price of roughly \$400. Last year, more than 1 million such rings were sold, average price tag \$778.

Now, over the past few years, the cartel's ads have focused on fanning demand for larger gems. The message: "A diamond of a carat or more. There's only one in a million."



Sorting diamonds at the Central Selling Organization.

son in the early 1980's was a chill wind the likes of which the diamond industry had not seen," recalled Michael A. Grantham, a C.S.O. director. "But now, after having proved its worth to producers and sellers, the C.S.O.'s future looks secure."

For the first half of this year, the cartel's sales rose 45 percent, to \$1.2 billion. De Beers' profits jumped 20 percent, to \$161 million. The diamond market is so hearty that in May, the C.S.O. raised prices on uncut, or rough, diamonds by 7.5 percent — its first price rise in three years. At the World Diamond Congress in Tel Aviv in July, Julian Ogilvie Thompson, the current De Beers chairman, declared: "We have succeeded where other — commodity — stabilization schemes have failed."

Even the modest, American-based market for investment diamonds, which the C.S.O. does not control because antitrust laws prohibit its operating in the United States, is showing signs of life again. The wholesale asking price for a 1-carat, D-flawless diamond, an industry benchmark, has climbed to \$14,500 from \$12,600 in March, according to the Rapaport Diamond Report in New York. Though far from its speculative peak of \$63,000 in 1980, the comparatively higher free-market price underlines the basic shift in the industry.

At the same time, United States retail sales of diamond jewelry, which represent 38 percent of the \$22 billion a year in diamond retail sales worldwide, look encouraging. Claude Saujet, president of Harry Winston Inc., a New York City jeweler, reports that sales are up 57 percent over the past 11 months, bolstered in part by what he called a more "European attitude" on the part of Americans interested in placing a portion of their personal wealth in diamonds.

Donald Zale, chairman of the largest American jewelry retailer, the

'Any producer would think twice about turning its back on the C.S.O.'

Michael Gordon, analyst



Michael A. Grantham, a C.S.O. director.

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WHERE GEMS ARE 'A MATTER OF RESPECT'

LONDON

In many ways, diamond advertising around the world mirrors the relations between the sexes in different cultures. A case in point — Japan, where the Central Selling Organization has brought off its biggest marketing coup.

Indeed, the C.S.O. convinced an entire nation that wedding engagements ought to be marked with a diamond ring. In the late 1960's, only 6 percent of Japanese couples planning to be married purchased a diamond engagement ring. Today, 70 percent of all engagements are marked with a diamond ring, the same percentage as in America. That helped push Japan's retail sales for diamond jewelry to \$4.3 billion a year, the second-highest in the world.

"After Coca-Cola and Levi's, the ground was somewhat prepared for us; but still, it has been our greatest success," said Michael A. Grantham, a C.S.O. director.

Working through major Japanese advertising companies, the C.S.O. helped create demand with an ad campaign that differs markedly from its American advertising. "In the U.S., you just cannot

be too sentimental in advertising — romance is what sells," said Charles Philpot, the organization's market controller for Japan. "But in Japan, the relationship is more a matter of respect, and a gift is for services rendered."

Where the typical American television ad for anniversary rings features a clingy couple exchanging suggestive remarks just short of the bedroom door in a swanky hotel, the approach in Japan is a bit different.

There, a typical ad shows the husband coming home from work at about midnight on the couple's wedding anniversary. His wife has left his dinner out for him to eat alone. At the table, he pulls out the diamond ring he has bought and starts talking to the ring as though it were his wife. He says what a good job she has done raising the kids, praises her as a great partner all these years and declares that this ring is a sign that he loves her. The camera then moves to a sliding door, slightly open and being quietly closed by an embarrassed but pleased wife, who has been listening all the while.

"We could never have had the husband saying those things directly to his wife," Mr. Philpot said. "That would be just over the top in Japan."

The Economy

WEEK IN BUSINESS

Peat Marwick Finds A European Partner

The biggest accounting firm in the world would be formed in the proposed merger of Peat Marwick and Klynveld Main Goerdeler, the big European firm. Ernst & Whinney, Arthur Andersen and Deloitte, Haskins had all approached KMG about a merger, but analysts say the fit with Peat Marwick, which was No. 2 behind Arthur Andersen, made for better economies of scale and was more complementary. Although talks had gone on for more than a year, details still must be worked out. The chairman of Peat Marwick's American operations, Larry D. Horner, would be chairman of the combined American operations; the chairman of KMG's American subsidiary, Main Hurdman, would be vice chairman.



Larry D. Horner

The Hunts lost a round in their attempt to keep creditors at bay when a Federal judge said they had improperly filed bankruptcy papers for Placid Oil and some subsidiaries in Louisiana. The judge, Barefoot Sanders, ordered the bankruptcy transferred to Texas. The Hunts then asked Judge Sanders, with whom the Hunts have quarreled frequently well before now, to step down from the case. The Hunts put \$2.2 billion in assets under bankruptcy protection.

Unemployment fell for the third straight month in August, dropping to 6.7 percent overall, from 6.8 percent. Manufacturing jobs rose, the first increase in that sector in six months, although energy jobs fell again. Some economists said the employment numbers could be misleading, since they also represent increases in low-paying or part-time jobs. Factory orders gained 2.2 percent in July, the biggest jump in about two years. But economists said the gain mainly was from military orders and did little to signal a sustained revival in manufacturing. Construction spending rose five-tenths of 1 percent in July.

Eastern will lay off more than 1,500 employees and improve productivity in an attempt to save \$160 million, a savings analysts say could make the airline profitable. It would also make Eastern a better buy for Texas Air, which hopes to overcome Federal objections and complete a merger.

World Airways is shutting down its unprofitable scheduled passenger service on Sept. 15 and will concentrate on charter and maintenance services. The carrier gained a reputation as a maverick by sharply undercutting fares, a strategy that put it deeply into debt.

Campeau bid \$2.47 billion for Allied Stores, but said it would be willing to give Allied management 15 percent of the combined company. Allied operates Bonwit Teller, Brooks Brothers and Ann Taylor, among other stores. The bid from the big Canadian real-estate company caught Allied by surprise, but it said it would consider it. Analysts said the price is too low.

Stocks gyrated wildly in the week, blaming it for the gas leak in Bhopal. A Federal judge ruled in May that the case must be heard in India. The Indian Government had requested it be heard in the United States.

India sued Union Carbide in India, blaming it for the gas leak in Bhopal. A Federal judge ruled in May that the case must be heard in India. The Indian Government had requested it be heard in the United States.

Two former Wall Street investment bankers pleaded guilty to stealing information and providing it to Dennis B. Levine, the man accused of masterminding a huge insider trading scheme. Ira B. Sokolow and Davis S. Brown, both 32 years old, are cooperating with investigators in the case.

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The New York Stock Exchange

MOST ACTIVE STOCKS WEEK ENDED SEPTEMBER 5, 1986

Company	Sales	Last	Net Chng
AT&T	19,598,100	30	+ 1%
IBM	9,107,300	24 3/4	+ 1%
IBM	8,297,400	79 1/2	+ 1%
IBM	7,815,900	140 3/4	+ 1%
IBM	7,158,700	38 1/2	+ 2%
IBM	6,552,300	20 1/2	+ 1%
IBM	6,541,500	45	+ 4%
IBM	6,374,400	11 1/2	+ 3%
IBM	5,776,000	44 1/2	- 3%
IBM	5,334,900	32 1/2	- 1%
IBM	5,271,600	47 1/2	+ 3%
IBM	5,237,700	70 1/2	+ 1%
IBM	4,793,200	20 1/2	+ 1%
IBM	4,782,100	58 1/2	+ 7%
IBM	4,458,900	34 1/2	+ 3%

MARKET DIARY

Advances	Declines	Total Issues	New Highs	New Lows
358	995	2,190	256	37
1,216	795	2,217	269	42

VOLUME

Year	Last	Week	To Date
1986	659,897,200	23,954,133,932	358,227,180
1985	358,227,180	18,215,920,006	

WEEK'S MARKET AVERAGES

High	Low	Last	Change
116.2	113.1	116.2	-0.37
117.5	113.1	116.2	-1.10
80.9	78.0	78.0	-2.81
158.6	154.5	154.5	-3.82
145.8	142.6	143.8	-1.43

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Index	Last
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The New York Times

Founded in 1851

ADOLPH S. OCHS, Publisher 1896-1935
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Lend to Prosper

America's trade deficit in July was \$18 billion, \$2 billion higher than the previous record in January. ... Despite a 30 percent decline in the dollar, sales abroad in 1986 are no better than in 1985. ... Clayton Yeutter, the U.S. Trade Representative, foresees no improvement soon and warns of further depreciation in the dollar.

Analysts have been quick to blame the grim trade news on America's decline in competitiveness and on the failure of our trade partners to grow faster and buy more of our goods. Both factors play a role. But so, too, does a less intuitive fact: the failure to cycle the surplus savings of Europe and Japan to the opportunity-rich, capital-poor nations of Latin America, Asia and Africa. Private banks, which did that job in the 1970's, can no longer bear the risks of major transfers of capital. But the governments of the advanced countries can and should. Indeed, given the likely consequences of continuing trade imbalances, they can't afford not to.

Common sense suggests that the cure for America's trade deficit is some combination of budget-tightening at home and greater spending by trade-surplus Japan and Europe. But cutting the U.S. budget deficit is slow and painful. Promoting consumption may be equally difficult for a Japan devoted to sacrifice and self-sufficiency.

America's trade deficit is the flip side of its surplus in capital imports. Americans cannot spend more abroad than they earn unless foreigners lend them the difference. Conversely, Japan and Europe cannot export capital as they do unless sustained by America's wish to import their goods. If the surplus capital were directed instead to import-hungry countries, the imbalance would disappear.

Suppose, for example, Japan were to invest \$10 billion of its \$50-to-60 billion trade surplus in Brazil rather than U.S. Treasury bonds. Brazil

would spend about half the \$10 billion for direct imports of American goods — aircraft, diesel engines, tractors — and much of the other half in other countries that would in turn also buy American goods.

If investing in Brazil — or Indonesia or Zimbabwe — were attractive enough, Japanese capital would find its own way there. But private lending requires a bank as agent. Banks, overloaded with imprudent third-world loans of the 1970's, are reluctant to make new ones. And their new prudence is probably good for the stability of the world's financial system.

This decade's recycling job belongs to governments or, better still, to multinational lenders supported by governments. The major trade-surplus nations should be borrowing at home and channeling the savings to developing countries that make a good case for productive use of capital.

Variations of this idea have been discussed for some time, but there is wide disagreement about who should have the final say on loans and how the risk should be apportioned among governments. Those are not just details; we would argue, for example, that Japan should bear a disproportionate share of risk because it spends just 1 percent of its income on defense and less than one-half percent on foreign aid. But the risks of lending out more in a common cause are truly minor compared with the risks of carrying on business as usual.

The immediate threat is protectionism. Unless American exporters regain their position in world trade, Congress is almost certain to punish our trade partners with import quotas and export subsidies. The subtler threat is trade by cartels that divide world markets at the expense of consumers and poor countries.

Trade deficits matter, as do capital surpluses. Cleverly managed, the process of righting the balances could turn the present squabble over markets into a triumph of enlightened capitalism.

For Congress From New York

It's rare for New York Republican races to be decided in the primary, and then it happens only upstate — as in Utica's 25th Congressional District this year. The incumbent, Sherwood Boehlert, a moderate with a fine conservation record who deserves re-election, is threatened by the far-right zeal of Robert Barstow. But in New York City, dispositive primaries come only on the Democratic side. This year, three races for Congress will be settled in Tuesday's Democratic primary.

MANHATTAN

After 10 years as the liberal personification of the liberal Upper West Side, Representative Ted Weiss has come up against a challenge in the 17th District, which stretches from the Battery to Riverside. Julian Schroeder, a former investment banker, is spending heavily to oppose him from the right, in the Henry Jackson pattern.

Off stage, Mr. Schroeder makes a thoughtful impression, differing mainly in foreign affairs. He has published a book of his thoughts on the Nicaraguan contras; his view parallels the Reagan view. There could not be a sharper contrast. Mr. Weiss has led the opposition to contra aid in the House. As a candidate, Mr. Schroeder makes a much less favorable impression. In a debate between the two, his harsh red-baiting ("He visited Cuba!") made him, and not the often-strident Mr. Weiss, seem shrill.

Shrill is a word that comes to mind when we think of Mr. Weiss, who strenuously opposed Westway and other constructive undertakings. In 1983, after American troops were sent into Grenada, he signed a resolution to impeach the President. Such positions help explain why, after 10 years, he does not carry more weight with his colleagues. Nevertheless, even if a gadfly, Mr. Weiss gives voice to views not heard so often in Washington now. Congress should hear such voices.

BROOKLYN

People in Congress talk of showhorses and workhorses. Major Owens, the incumbent in the 12th District, is a workhorse, a sound, effective Congressman who has warmly earned re-election to a

third term. His opponent is Roy Innis, a dramatic and mercurial candidate who presents an array of ideas, sometimes compelling, sometimes conservative, not always clear.

Mr. Owens is a librarian, the first ever elected to Congress, and a shrewd, practical politician. When it was easy for blacks to denounce Gramm-Rudman-Hollings cuts in social spending, he recognized the futility of dead-end resistance. Instead, he pressed the black caucus to take practical positions that helped win exemptions for programs like Medicaid and food stamps.

QUEENS

The most hotly contested race is in the Sixth District of Queens, long represented by the late Joseph Addabbo. This changing district has churned up four unusually able black candidates. Each has strong qualifications to serve. One, the Rev. Floyd Flake, has the potential also to lead.

Hulbert James is a consultant and authority on social welfare. Simeon Golar is a lawyer and former public official, voluble, wise and experienced. Sound, steady Alton Waldon narrowly won the recent special election to fill the Addabbo seat, with biracial support. He has built an impressive record in law, law enforcement and lawmaking. If returned to Congress for a full term, he would serve the district with ability.

Floyd Flake might serve the district with distinction. In the tradition of many black officeholders, he is a clergyman. Previously, he was a Xerox marketing analyst and Boston University's dean of students. We disagree with his opposition to Medicaid funding for abortions and his support of tuition tax credits. But we share his opposition to the death penalty and aid to the contras in Nicaragua. What is impressive above all is his position on social welfare issues.

More than position: achievement. He tells of the \$11 million senior-citizens complex, 527 residents, that his church has built on an old dump. There's a \$3.8 million school, a home ownership program. In Congress, this calm, confident man could find a lens to magnify such effort elsewhere.

Topics

Gifted Athletes

The N.C.A.A. Tigers

Those enforcement tigers at the National Collegiate Athletic Association have pounced again. This time they landed on the University of Nebraska, suspending 60 football players for missing the four free game passes given to each player.

The players apparently didn't scalp the tickets, a common violation in years past when players were given them for spending money. Instead, they let them be used by persons not related or Nebraska students. Among the illegal recipients: fiancées, neighbors, former high school teachers.

In recent months, the N.C.A.A. has spurned proposals to shorten its intercollegiate basketball season and to make freshmen ineligible for varsity competition. When a court found that the University of Georgia had corrupted its academic program for the

sake of athletics, the school's athletic director hastened to point out that it hadn't violated any N.C.A.A. regulations.

The Nebraska case demonstrates again the N.C.A.A.'s astonishing capacity to swallow a camel and gag on a goat. Where genuine corruption in college athletics is concerned, it's a paper tiger.

Strokes of Luck

Not everyone shoots a hole-in-one on the same hole two days in a row, as Arnold Palmer did last week. But consider: He has shot only two of the more than 40,000 holes-in-one that will be recorded by the time this year ends. And his being 56 years old doesn't count for much, either. Otto Bucher, of Geneva, Switzerland, got a hole-in-one last year at the age of 99; Ryan

Hinker, of Libertyville, Ill., got one, too — at the age of 7.

Furthermore, according to Golf Digest's records on such things, the 187-yard hole that Palmer aced is nothing exceptional. Larry Bruce, of Hope, Ark., once sank a drive from 480 yards — a quarter of a mile.

The most accomplished golfer would have to admit that shooting a hole-in-one involves far more luck than skill. How did one man's, albeit a very special man's, luck strike precisely in the same place, two days in a row?

While pondering that, let Palmer ponder another aspect of his good fortune: that it didn't happen in Japan. There, by tradition, anyone who shoots a hole-in-one must give presents to fellow golfers. And presumably there are no volume discounts.

Letters

We'll All Pay Corporate-Tax Hike in Higher Prices

To the Editor:

The proposed tax-reform bill is being greeted with a great wave of hurrahs, and the President has given it his blessing. But behind it is a curious kind of circular reasoning that ignores the conclusions of economists on the effects of tax changes arrived at by careful study over the last 50 years.

The plan is assumed to be noninflationary. Corporate taxes are to be raised as much as individual taxes are to be reduced, thus not adding to the Federal deficit, which would be inflationary. But corporate taxes are largely shifted to consumers in higher prices. Raising corporate taxes is thus definitely inflationary, and the decreases in individual taxes will certainly be offset by the higher prices individuals will have to pay.

Is the plan fair? Hardly. It seems fair because many with low incomes will pay no taxes, and most people will pay less than before. But it abandons the principle of progressive taxation, the only real basis of tax equity. This is tragic.

Worse, this tax plan continues the method of stimulating the economy followed by the Reagan Administration since 1981 — lowering taxes to increase consumer buying power. That caused the greatest deficit in our history and only temporarily increased the rate of economic growth.

What is needed is increased investment in industry. The rate of this investment has fallen to a new low. Tax reductions after 1981 did not, as expected, greatly increase this investment. Nor will the proposed new tax deductions do it, although the plan obviously greatly favors the rich, who should be investing in business, not simply in Government bonds and tax-exempt securities, as was largely the case after 1981.

William Withers
Eatontown, N.J., Aug. 29, 1986
The writer, professor emeritus of economics, Queens College, is author of "Politics and Economic Policy, Hoover to Reagan" (New York, 1986).

Say Yes to Reform

To the Editor:

I am writing to express my strong support for the tax-reform package. Perfect? Perhaps not. A massive improvement? Yes!

As a professional in mergers and acquisitions, I have been sickened and outraged in the past at the hundreds of millions of dollars invested in tax-oriented investments. Many of these have little or no (pre-tax) economic value to their investors or to the nation's economy. We must stop the tail wagging the dog.

I am now outraged at the bleedings of certain colleges from the pockets of complacent parents in the future, they may have to rely for donations on the worthiness of their cause and the genuine generosity of their patrons.

Shift in Work Force Goes With Rising Debt

To the Editor:

As Samuel M. Ehrenhalt, regional commissioner of labor statistics, points out ("Economic Scene: Work-Force Shifts in '80's," Business Day, Aug. 15), professionals, managers and technicians will soon outnumber blue collar workers. This redeployment began in earnest about 1960, so let's examine the bottom line of the last 25 years.

From 1960 to 1984, the best-educated work force in American history almost doubled — most of this increase in the service sector. Yet, our share of gross world product declined from about one-third to one-fifth; our balance of payments made a sharp U-turn from solid surplus to deep deficit (almost \$400 billion in five years), and we are now the world's largest debtor nation, an ignominy inconceivable as recently as 1980, when we lorded over all as the largest creditor.

If this shift is so good, how have the mighty fallen into this red-hot morass?

Henry Fogel
Kings Point, L.I., Aug. 26, 1986
The writer is author of "Software America: Post-Smokestack Blues."

Teachers Can Still Learn a Few Useful Things About Teaching

To the Editor:

In response to "Teacher Wisdom" (editorial Topics, Aug. 21), on the wisdom of employing teachers who know their stuff and little more, I would grant:

(1) that those who can, should indeed teach;
(2) that a liberal arts major is doubtless an essential preparation for teaching, and
(3) that many education courses are, unfortunately, boring.

But the fact remains that we have learned a good deal in recent decades about the variety of styles in which individual children learn, about the vast differences in which the same subject matter can be taught and about the special problems of special children — the brilliant, the learning-disabled, the physically handicapped, the emotionally disturbed. The argument of those of us who profess education is that teachers might well profit from having such knowledge in an organized and systematic way.

In the end, a society that believes in trusting the folk wisdom of teachers will have educational services at about

The time for change is now. Say yes to tax reform.
Richard W. Ingram
New York, Aug. 22, 1986

A Small-Business Bind

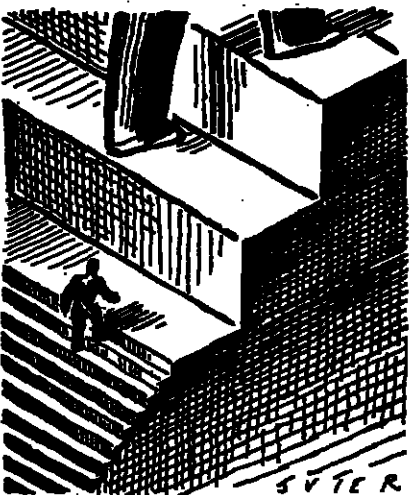
To the Editor:

As publisher of a magazine about economic development, I have noted the growth of small businesses over the last several years. This entrepreneurialism of the small-business man has made the transition from a manufacturing-based to an information-based economy much smoother for this country.

The primary reason for this surge of start-ups and for growth in small businesses has been the relative ease of capital formation for such businesses. In my opinion, the new tax law will be a disaster in this regard.

To be specific, my company had preliminary approval for a tax-exempt financing of \$1 million this year for expansion. It is out of the question for a nonrated company with only 25 employees such as ours to go to Wall Street for such financing. Our only source is a commercial bank.

Because of the uncertainties of the tax bill we were forced to cancel the tax-exempt bond issue. We obtained conventional, but smaller, financing. The new tax law specifically eliminates banks as a source of funding of



this type. As a result, many companies throughout the country will not be able to use tax-exempt financing, even though it is still allowed under the new tax bill. Originally, industrial revenue bonds were designed for smaller companies, but the new tax bill will effectively shut such companies out of the market.

In addition, the new tax bill, by doing away with the capital-gains advantage, will all but eliminate equity funding for small businesses and surely for startups. The new tax bill will direct the flow of capital toward junk bonds for takeovers. We call this the zero-sum game — the sum of economic development is zero.

Ed T. Coene
Red Bank, N.J., Aug. 21, 1986

Single Older Woman

To the Editor:

"Tax Transformation" (editorial, Aug. 19) extols the proposed tax law as "a rare, transforming triumph of fairness." Being a single older woman wrestling a lowly income from writing supplemented by sale of land, I don't see it that way.

I am not among the working poor who will stop paying taxes. While the proposed law cuts the tax rate 44 percent on top incomes, from 50 percent to 28 percent, it hikes the rate 7 percent for me, from 14 to 15 percent. My taxable income averaged \$3,100 for 1982-84, and over those years I paid \$260, all told, in taxes. The new law, "narrowing loopholes," as you express it, would have clipped me \$660. And suppose a book I've worked on for three years sells next year? Whammo! The highest tax rate. No income averaging over lean years under the Rostenkowski-Packwood measure.

And what makes you think only the rich report capital gains? Sure, for them, tax on capital gains goes merely from 20 to 28 percent. For me? Having invested in land 25 years ago toward an independent old age, I began last year to sell acreage.

Under today's taxes, a capital gain of \$22,000 was treated in 1985 as \$8,800. Now, with a \$2,000 exemption (the proposed law will reduce it for me), deductions, including medical, sales tax and credit-card interest (all to be reduced or eliminated) and an investment credit (to be lost), my 1985 taxes came to \$925. Under the proposed law, taxing capital gains in full, my tax would be \$5,650! Before I get through, proposed taxes on land sales will cost me \$16,000 over today's taxes.

The new tax law is more than fair, to salaried upper incomes, a windfall for 50 percent bracketers. It wallows taxpayers like me.

Malvine Cole
Jamaica, Vt., Aug. 22, 1986

'Upper-Income' Couple

To the Editor:

As a so-called "upper income" (not "very high income") couple with children, we found the new tax law a shock. Unlike the hypothetical couple without children (Aug. 19), whose taxes will increase \$1,636 or 16.5 percent, ours will go up \$4,368 or 36 percent!

The changes that cause this jump are elimination of deductions for two earners, for state sales tax, other interest and one of our I.R.A.'s, coupled with virtual elimination of a deduction for the business I run out of my home. Imagine the effect if we also had capital gains and tax shelters.

Admittedly, it is difficult to define "middle income." But "upper income" hardly describes our struggle to maintain a fairly modest standard of living and put children through college.

Niels H. Nielsen
Princeton, N.J., Aug. 20, 1986

Drink Is the Curse of the Classless Society

To the Editor:

The current crackdown on alcohol abuse in the Soviet Union reflects a perennial dilemma of Russian regimes: needing the revenues derived from liquor sales that they knew were despoiling and stupefying the Russian people.

As Turgenev wrote in "Virgin Soil" (1888): "the merchant sleeps, the official sleeps ... and the prisoner sleeps and the judge snores. All are asleep! He that fogs is asleep and he too that gets flogged. Only the czar's mug-house never closes an eye. And grasping tight her pot of vodka, our Holy Russia lies in interminable sleep."

Before 1914, revenue from liquor sales made up one-third of the Russian empire's so-called "drunken budget" (Pyani budget).

In 1908, the heroic peasant deputy Chelishchev raised a stir in the Third Duma and beyond, decrying the excessive drinking of the peasantry, which the state monopoly on liquor (the so-called monopolika) was actively encouraging. Subsequently, Rasputin took up the cause of his fellow peasants and shamed Nicholas II into making a tour of the empire to

learn firsthand of the ravages caused by drink.

Those events, coupled with the need to mobilize efficiently for the impending war with the Central Powers (the difficulties of mobilizing drunken young men for the Russo-Japanese War were still fresh in mind) led to the introduction in 1914 of prohibition in Russia.

Public-opinion polls, conducted in various parts of the empire between 1914 and 1917, revealed enormous enthusiasm for prohibition. There were comments such as, "Until now we didn't know we were alive," or, "For the first time we are able to save money," or even, "Let the war go on forever, so long as we can't buy vodka."

When, in 1968, I mentioned to an inquiring woman from Intourist in Leningrad that I was there on a grant to do research on "the sale and use of vodka from 1884 to 1917," she exclaimed indignantly: "Why do you stop with 1917? The problem still exists. Study it!"

Stanley W. Page
New York, Aug. 24, 1986
The writer is professor emeritus of history at City College of the City University of New York.



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WASHINGTON | James Reston

A Conversation With Mitterrand

President François Mitterrand of France was sitting on a straight-backed couch in the Elysée Palace talking quietly the other day about what he called "the galloping horse of history."

I had asked him whether political leaders really made a difference in the world or were merely prisoners of past philosophies and present events. He re-

garded this with a kind of eloquent stillness and then replied, yes indeed, they do make a difference. In the Soviet Union and elsewhere, he added.

"I can remember," he said, "once talking about the events of history as if one were talking about a galloping horse, a stampeding horse. Some of the riders who clamber aboard the stampeding horse of history manage to tame it."

"Others don't quite succeed that far, but without fully taming it, they do at least manage to make it take a different direction."

He was cautiously hopeful that perhaps Mikhail Gorbachev in Moscow was trying to explore new paths to the future.

"The developments of the last several months," he observed, "give greater cause for optimism than

those at the beginning of this year. I would say it is obviously in the interest of Mr. Gorbachev and his country not to continue indefinitely with this obsession for more and more arms. He does need a success in terms of raising the standard of living in his country. And I think he is a sufficiently modern man to recognize that economic success is a component of power."

President Mitterrand added that he also found a positive ring in President Reagan's most recent statements on East-West relations. So he thought that for the moment there seemed to be a better convergence of interests and intentions in Washington and Moscow, which might lead to some sort of compromise.

On the subject of President Reagan's Strategic Defense Initiative in outer space, Mr. Mitterrand drew a distinction between ends and means.

He was convinced, he said, that space will be the new "Far West" frontier, the place to conquer in years to come. Man's dreams will be realized eventually, he predicted, but he didn't think the most immediate objective should be in the field of military technology.

He discussed his differences with Washington in the most courteous terms, but clearly differences exist. President Reagan had kept him informed about the Star Wars program, he said, but "we simply have a different view of things."

But he was clearly unhappy about differences that had arisen over U.S. military action in Libya, and is no great admirer of the Reagan Administration's fascination with "public diplomacy."

"Of course," he continued, "in my own manner am a liberal in the European sense of that term, and the U.S. will do what the U.S. wants to do. I cannot say what they should think fit or necessary to defend themselves."

President Mitterrand has testified in his diary, "The Wheat and the Chaff," that he rejoiced in reading and conversation — "those forgotten pleasures" he called them — but he is not an easy man to interview. In an hour and a half with my wife and me, he scarcely moved or gestured, and he has that old-fashioned habit of pausing and thinking before he speaks.

He was not hopeful about progress in the Middle East, and he was both gloomy and sad about South Africa. No method of conciliation has been successful there, he said; it was a tangle, and always has been, but he thought the best approach lay in direct contact between the warring factions, including, he implied, the P.L.O. Any hope for South Africa? he was asked.

"No," he replied. "I'm very much afraid that things are going to be bloodier than they have already been, barring a change in policy or some miracle of good will."

In South Africa, he reflected, we are talking about a matter of life or death — it's as simple as that. If you don't opt for death, then you have to make a stand for life. The whole of in-

ternational society, he insisted — men of good will everywhere — must bring pressure to bear so that the choice made is that of life, and not the everyday blood bath that seems to be commencing.

Nevertheless, Mr. Mitterrand rejected the pessimistic view that there were some problems in the world really beyond not only solution but hope.

He recalled that for generations many people in the United States could not imagine any reconciliation between the races. Yet since the war of secession, America has become a much more united land.

Likewise, he continued, France and Germany fought the cruelest wars three times in one century, and many could imagine no future except everlasting hostility between these two countries. "But we have become good friends. Time is a partner."

I suggested that despite all his political problems at home and all the intractable tangles abroad, maybe he was an optimist after all.

"In the last analysis, I suppose

'A different view of things'

yes," he replied. "The price of optimism, I imagine, will always be Churchill's 'blood, sweat and tears'; but yes, basically I do believe that mankind is advancing toward a better and stronger life."

He recalled in support of his optimism a book he had written called "The Bee and the Architect." The title came from a quote by Karl Marx in which Marx notes that the bee makes simple perfect cells, always identical. Man cannot do that, but his advantage is that he is an architect and can engineer a different cell, if he is clear in his imagination of what he wants to do.

President Mitterrand made only one request about our talk: that I should express his gratitude for the welcome extended to him at the Statue of Liberty celebration in New York on last Fourth of July.

"With the American leaders," he concluded, "our dialogue has always been very good. We are capable of agreeing to disagree while keeping an open mind."

Mr. Reagan's Myopia on Arms Control

By Townsend Hoopes

TGREEN FARMS, Conn. No significant facts about American-Soviet relations stand out. One is the abundant evidence that the Kremlin wants to stabilize the relationship, wants to deal, wants specifically an arms control agreement that will halt the gathering arms race in space. The other is the Administration's determined resistance on all of these points.

The evidence on the Soviet side includes Mikhail S. Gorbachev's lengthy interview with Time magazine last September; his comprehensive arms control proposals of Jan. 15; his offer earlier this summer to reduce offensive missiles in return for a renewed mutual commitment to a strict construction of the Anti-Ballistic Missile Treaty, which would keep "Star Wars" in the laboratory bottle for the next 15 years, and his now four-times extended unilateral moratorium on nuclear testing.

The Administration, on the other hand, is making every effort to misrepresent these constructive proposals and to conceal the truth of its own purpose, which is to dismantle all remaining pieces of the arms control structure in order to clear the decks for an unrestricted arms race on earth and in space.

In his marathon speech at the 27th Communist Party Congress last February, Mr. Gorbachev developed the theme that national safety can no longer be secured by unilateral means, no matter how much is spent on military forces and new technology; that mutual vulnerability is an irremovable condition of our age; that strategic stability and avoidance of war therefore depend upon recognition that the superpowers share a common problem of survival.

He said in part: "This means realizing that in the present situation there is no alternative to cooperation and interaction between all countries. Thus the objective — I emphasize objective — conditions have taken shape in which confrontations between capitalism and socialism can proceed only and exclusively in forms of peaceful competition and peaceful contest."

But Mr. Reagan and his entourage are not listening. In June, he renounced SALT II, the treaty containing clear-cut numerical limits on all major weapons categories that both sides have continued to observe. This was a decision driven by Pentagon civilians whose only vision is nuclear superiority, whose fascination is with the fine-tuning of nuclear war-fighting strategies and whose preferred method is to run the arms race to in-

finitude, unfettered by treaty restrictions. Secretary of Defense Caspar W. Weinberger said the SALT renunciation was necessary for the United States to "regain a modern, effective deterrent to war."

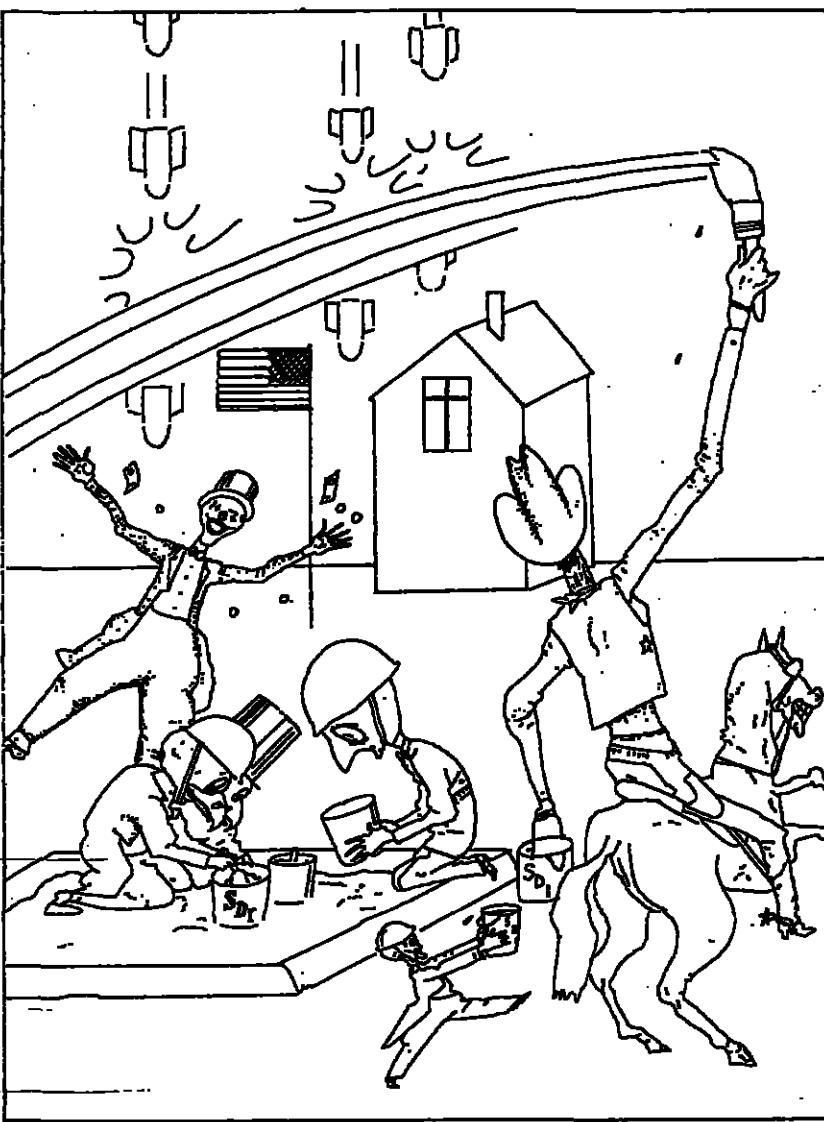
In announcing the first extension of the Soviet moratorium on nuclear testing, Mr. Gorbachev argued that, in the absence of a positive American response, Moscow has "every right to resume nuclear tests." But he emphasized that his purpose was to avoid being trapped in the dreary, futile action-reaction syndrome that has so long frustrated progress in arms control. "If one were to follow the usual 'logic' of the arms race, that presumably would have been the thing to do. But... it is precisely that notorious logic that has to be resolutely repudiated. We are making yet another attempt in that direction. Otherwise the process of military rivalry will become an avalanche."

Expert observers believe a test ban is perhaps the cleanest, most decisive way to terminate the further development of nuclear weapons, and then want to work for reductions from that point, with the negotiations freed from the constant pressure of technological innovations. There is no doubt among scientists that test-ban verification can be assured. Conclusion of a comprehensive test ban treaty would amount to mutual agreement that nuclear weapons are not usable to achieve any rational political goal.

Washington's response to test ban proposals has been categorically negative, but the successive extensions of the Soviet ban have exposed the true nature of the Reagan policy. The Administration first argued that it must go on testing because we still lag behind in missile modernization, despite an unprecedented military buildup over the past five years. When this ploy fell flat, it resorted to the theory that we must test in order to assure the reliability of the existing weapons stockpile.

This was an argument never heard before and, in the view of many experts, it is simply not true. The way you determine whether nuclear weapons will work is to take them apart, check and reassemble their mechanical, non-nuclear components. The properties of uranium and plutonium remain the same from year to year. Test firing is not necessary to assure the reliability of weapons. It is necessary only if the aim is to create new, more accurate, more sophisticated weapons. The Administration has dropped its reliance on the verification issue as an obstacle to agreement. But new obstacles have been invented.

The real reasons for refusing a test ban are simpler: the President is obsessed by the fantasy of Star Wars, certain components of which, notably the X-ray laser, will require testing if the program is pursued, and Administration advocates of war-fighting strategies want to go on building new and more sophisticated offensive



Phil Graft

weapons. Mr. Reagan is thus the first President to show no interest whatever in a cessation of nuclear testing. His road to "real agreements" runs through the uninterrupted building of more weapons as a means of providing America with a coercive edge in negotiation. Either he and his advisers fail to grasp the demonstrated futility and danger of that approach to arms control, or they reject a test ban because it inconveniently conflicts with their own visions of American power and dominance.

As a consequence, the United States has drifted into a strategic posture that is provocative and self-defeating. Mr. Reagan's vague military goals exceed the rational requirements of deterrence by reaching for the illusion of superiority. This leads not to reduced tensions but to an accelerated arms race, on earth and in space, whose costs and dangers are equalled only by its futility.

The tragedy in all this is that, by any objective reckoning, the world situation today presents a historic opportunity for substantial improvement in United States-Soviet relations, including solid prospects for practical arms control agreements of great mutual benefit. But unless Con-

gress and American public opinion assert themselves on behalf of common sense and the true national interest, it is probable that the opportunity will be lost.

IN THE NATION | Tom Wicker

Is the U.S. a 'Bully'?

PPrime Minister Robert Mugabe of Zimbabwe, opening the meeting of nonaligned nations in Harare, charged the United States with "international bullying." That overstated a case that may be stronger than some Americans want to believe.

Mr. Mugabe, an African leader who does not pull his forelock before Washington, cited the U.S. bombing of Libya earlier this year and U.S. support for rebel groups trying to overthrow the Governments of Angola and Nicaragua.

Neither he nor the particular acts of "bullying" he specified are likely to persuade the American public that his accusation is true — although polls do show that a majority opposes aid to the "contras" fighting the Sandinista Government in Nicaragua.

But the words were hardly out of Mr. Mugabe's mouth before the Reagan Administration handed him more fuel for his charge. First, unnamed Administration spokesmen commented that President Corazon Aquino of the Philippines should launch a stronger military attack on Communist and other insurgents.

When Mrs. Aquino, in an interview with The New York Times, properly responded that she would not submit to such outside pressures — and would not ever respond to anonymous critics — another unnamed official repeated the Administration's "concern" about Mrs. Aquino's efforts to negotiate with the insurgents.

Second, the Administration announced that it was suspending \$13.5 million in scheduled aid to Mr. Mugabe's Zimbabwe because of its lack of "diplomatic civility." Officials insisted this had nothing to do with Mr. Mugabe's "bullying" charge but was in-

Petulance doesn't make a policy

response to an anti-American speech by a Zimbabwean Cabinet minister that caused former President Carter to walk out of an Independence Day party at the U.S. Embassy in Harare.

President Reagan demanded an apology; Mr. Mugabe said he would apologize only to Mr. Carter. The matter rested there until the nonaligned meeting opened with the Prime Minister's speech, following which the Administration announced suspension of the 1986 aid appropriation.

Predictably, Zimbabwean officials said their country would not be "intimidated" by this untimely move — which third-world diplomats could hardly be blamed for linking to Mr. Mugabe's "bullying" remarks, and which ironically seemed to bear them out. There is, after all, lots of diplomatic incivility in the world, and cutting off aid in response to no worse offense than that suggests petulance rather than measured policy.

The Philippine and Zimbabwean incidents came on top of the another involving Honduras, a poverty-stricken Central American nation that borders Nicaragua and already is as near to being a puppet state as U.S. money and muscle can make it. Honduras did refuse, however, to allow its territory to be used for the training of Nicaraguan "contras" by U.S. military men.

This reasonable assertion of na-

tional sovereignty, taken no doubt in fear of being drawn into the U.S.-financed war in Nicaragua, was greeted in Washington with contempt. Honduras could be persuaded, anonymous officials said, "with a new package of military and economic aid." It could be bought, in other words, while the Philippines and Zimbabwe were being pressured.

Such contemptuous approaches from Washington may not literally be "bullying." As one of the superpowers, the U.S. has an interest — not always vital — in virtually anything that happens in the world. It has a general obligation to its citizens to try to affect world events so as to support and defend their interests. The important U.S. military bases in the Philippines are a good example: as was realized almost too late during the Marcos dictatorship, Washington could not let insurrection festered by his oppressive government endanger these bases.

That was a major factor in the Administration's ultimate pressure on Mr. Marcos to give up power — pressure he and leaders like him no doubt perceived as "bullying." But Mrs. Aquino has been in power only a few months; her effort to negotiate with insurgent forces surely is worth pursuing before she commits herself — and U.S. interests — to a long, costly, perhaps losing war. Just this week, she met with a Moslem insurgent leader on his home turf and persuaded him to extend an existing truce.

Yet Washington seems always more willing to support a military solution — in Angola, in Nicaragua, now in the Philippines — than to encourage genuine economic and political reform, or negotiated compromise. That seems more often the trouble than "international bullying."



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Arts & Leisure

Major Film Directors Set To Offer Their Wares

By NINA DARNTON

The brew of films that Hollywood has cooked up for fall and winter is thick with the talent of major directors. Martin Scorsese, Francis Coppola, Roland Joffé, Peter Weir, Bruce Beresford, Sidney Lumet, Blake Edwards and Franco Zeffirelli all have new films opening this season. In addition, there are adaptations of Broadway productions, screenplays based on best-selling novels and a number of interesting independent American films, several of which are opening at the New York Film Festival, which begins on Sept. 19. There is also the usual full complement of the staples of Hollywood — mysteries, romantic comedies and escapist adventure stories.

At this stage many of the movies do not have specific opening dates. The vagaries of the business make it certain that some of those that do will change. A film scheduled to open when the leaves are falling may still be unseen by the first snow.

Martin Scorsese's film "The Color of Money," is unusual because of its potential cross-generational appeal. Set for release on Oct. 17, the film is a sequel to "The Hustler" (1961) and touches upon the themes of aging and mortality. Paul Newman is back as Fast Eddie Felson, this time with a young protégé played by Tom Cruise.

While Mr. Scorsese shows us a character who has aged, Francis Coppola presents a character who has the chance to start over again. His film, "Peggy Sue Got Married" is an escapist adventure — into time instead of place. Kathleen Turner plays a woman in her 40's who goes to her high school reunion and is transported back to 1960, where she has the chance to live her life over retaining her present memory. The film also stars Mr. Coppola's nephew, Nicolas Cage ("Birdy"). It is the closing feature of this year's New York Film Festival, and will open commercially in October.

Roland Joffé's film takes us much further back in time — to South America two centuries ago. "The Mission," which opens Oct. 31, is an 18th-century heroic tale. It tells the story of a priest and a former slave trader who join forces against the colonial governments of Spain and Portugal to save an endangered Indian tribe. The British film, which won the Golden Palm Award at Cannes earlier this year, stars Robert DeNiro and Jeremy Irons.

Peter Weir takes us to Central America for "The Mosquito Coast," based on Paul Theroux's best-selling novel about a man's obsession to remove his family from the corrupting influences of modern civilization. The film stars Harrison Ford, whom Mr. Weir directed in "Witness." It is tentatively set for a December opening.

Bruce Beresford and Sidney Lumet have directed films that take place in the present-day United States.



Charlotte Lewis and Eddie Murphy in "The Golden Child," about a detective hired to solve a kidnapping case.

Mr. Beresford's "Crimes of the Heart" is an adaptation of Beth Henley's 1981 Pulitzer prize-winning play about three Southern sisters who have a reunion. It stars Jessica Lange, Sissy Spacek, Diane Keaton, Sam Shepard and Tess Harper. The film will be released Dec. 10.

Mr. Lumet's "The Morning After" is a murder mystery about an alcoholic actress, played by Jane Fonda, who wakes up next to a dead body and is framed for murder. The film also stars Jeff Bridges and Raul Julia and is scheduled for a Christmas release.

Franco Zeffirelli has tackled a screen adaptation of the opera "Otello," scheduled to open this Friday in New York. The film version of the opera stars Plácido Domingo as the jealous Moor and Katia Ricciarelli as Desdemona.

Blake Edwards has gotten together a group of his friends and family, spent \$1 million, and made a professional home movie. "That's Life," starring Jack Lemmon and Julie Andrews (Mr. Edwards's wife), was conceived and directed by Mr. Edwards, shot in his home, and largely improvised by the cast, which includes Mr. Edwards's daughter Jennifer Edwards, Miss Andrews's daughter Emma Walton and Mr. Lemmon's son Chris Lemmon. It's about the separate crises of different family members that occur on the weekend of the father's 60th birthday. The mother, played by Miss Andrews, copes with her discovery that a growth in her throat may be cancerous. The movie is scheduled to open in October.

Miss Andrews also stars in "Duet for One," opening Oct. 31, in which she plays a concert pianist who contracts multiple sclerosis and is helped by a psychiatrist. The film is directed by Andrei Konchalovsky and also stars Alan Bates and Max von Sydow.

The New York Film Festival, from Sept. 19 to Oct. 5, is one of the highlights of the fall season. Seven American films (as compared to three last year) are being shown. Many of the films at the festival will



Paul Newman and Tom Cruise play a pool shark and his protégé in "The Color of Money," a sequel to the 1961 movie "The Hustler," with Mr. Newman and Jackie Gleason. Martin Scorsese directs.



Marlee Matlin and William Hurt play a deaf woman and the teacher who falls in love with her in "Children of a Lesser God," an adaptation of the Broadway production.

have subsequent commercial openings.

A Canadian entry, "The Decline of the American Empire," is about eight academics, four men and four women, who reveal themselves to each other during the course of a day in the country. Directed by Denys Arcand, it has been called "The Big Chill" with a Ph.D.

"Down by Law," the opening night feature, takes place in the Louisiana Bayou, where an unemployed disk jockey, a small-time pimp and an Italian tourist meet in a prison cell and plan their escape. It is directed by Jim Jarmusch ("Stranger Than Paradise"), and stars the singer-songwriter Tom Waits, Don Lurie and Robert Benini. Three of the American films in the festival deal with music or musicians. "Round Midnight," directed by Bertrand Tavernier, is about black American jazz musicians in Paris in the late 1950's with a score by Herbie Hancock. Dexter Gordon, the jazz saxophonist, plays the lead. "Sid and Nancy" is about the violent love affair between the

foreman. She then tries to establish a community without racial barriers. The film is by the Belgian director Marion Hansel and won the Silver Lion Award at the 1985 Venice Film Festival. It opens at the Film Forum Oct. 10 for a two-week run.

Racial relations closer to home are the subject of "Native Son," based on the novel by Richard Wright. The story of a black man who accidentally kills a white girl



Sean Connery in "The Name of the Rose," from Umberto Eco's novel.



Jane Fonda plays a woman framed for murder in "The Morning After."

and then murders his black girlfriend, Richard Wright's powerful indictment of a hate-filled society is brought to the screen by Jerrold Freedman ("Kansas City Bomber") and stars Matt Dillon, Oprah Winfrey, Victor Love, Elizabeth McGovern, Geraldine Page and Carroll Baker. It is set for a Christmas release.

A film almost certain to generate controversy is "Soul Man," produced by Steve Tisch ("Risky Business") and directed by Steve Miner (the second and third installments of the "Friday the 13th" series). In it, a wealthy white student's parents decide to make him pay his own way through Harvard Law School. He darkens his skin with chemicals so that he can take advantage of a minority scholarship and attends law school as a young black man, setting off a variety of misunderstandings and misadventures.

There are, of course, also a number of upcoming movies designed purely for escape and entertainment. Some are comedies, others are fantasy adventures, still others are murder mysteries in which ordinary people become extraordinary sleuths.

Whoopi Goldberg, who played Celie in Steven Spielberg's controversial "Color Purple" returns to comedy this season with "Jumpin' Jack Flash." She plays a young woman who sets out to rescue a British spy trapped in an Eastern Bloc country. The film is the first directorial effort of Penny Marshall and opens Oct. 10.

Another straightforward comedy is "The Golden Child," starring Eddie Murphy and Charlotte Lewis. Mr. Murphy portrays a private eye looking for a child who is destined to be an Indian spiritual leader. The child has been kidnapped by terrorists and taken to Los Angeles. The film, which opens in early December, is directed by Michael Ritchie.

Steve Martin, Lorne Michaels and the singer-songwriter Randy Newman collaborated on the screenplay for "The Three Amigos," a comedy about three silent-screen actors filming a Western south of the border. John Landis ("Animal House") directs, and Mr. Martin, Martin Short and Chevy Chase star.

"The Name of the Rose" is a murder mystery set in a 14th-century cloister. Based on the best-selling novel by Umberto Eco, this tale of death and intrigue stars Sean Connery and F. Murray Abraham, who won an Academy Award for his performance as Salieri in "Amadeus." It is directed by Jean-Jacques Annaud ("Quest for Fire") and opens Sept. 24.

There is no shortage of swashbuckling adventures. "Shanghai Surprise," with Sean Penn and Madonna, is set in Shanghai, where an American fortune hunter and a beautiful missionary search for a hidden cache of opium. The film, directed by Jim Goddard, features music by George Harrison, its executive producer. It will open in late September or October.

"Tai-Pan," based on James Clavell's best seller, is the story of the founding of Hong Kong, full of epic bloody battles, lust and flamboyant adventures. The film is directed by Daryl Duke and stars Bryan Brown, Joan Chen and John Stanton. It opens Oct. 3.

"Half Moon Street," based on a novella by Paul Theroux, stars Sigourney Weaver as a research scientist who picks up extra money by working for an escort agency. This sideline proves more adventurous than she bargained for and leads her into danger. The film, set in London, is directed by Robert Swaim also stars Michael Caine. It opens Sept. 29.

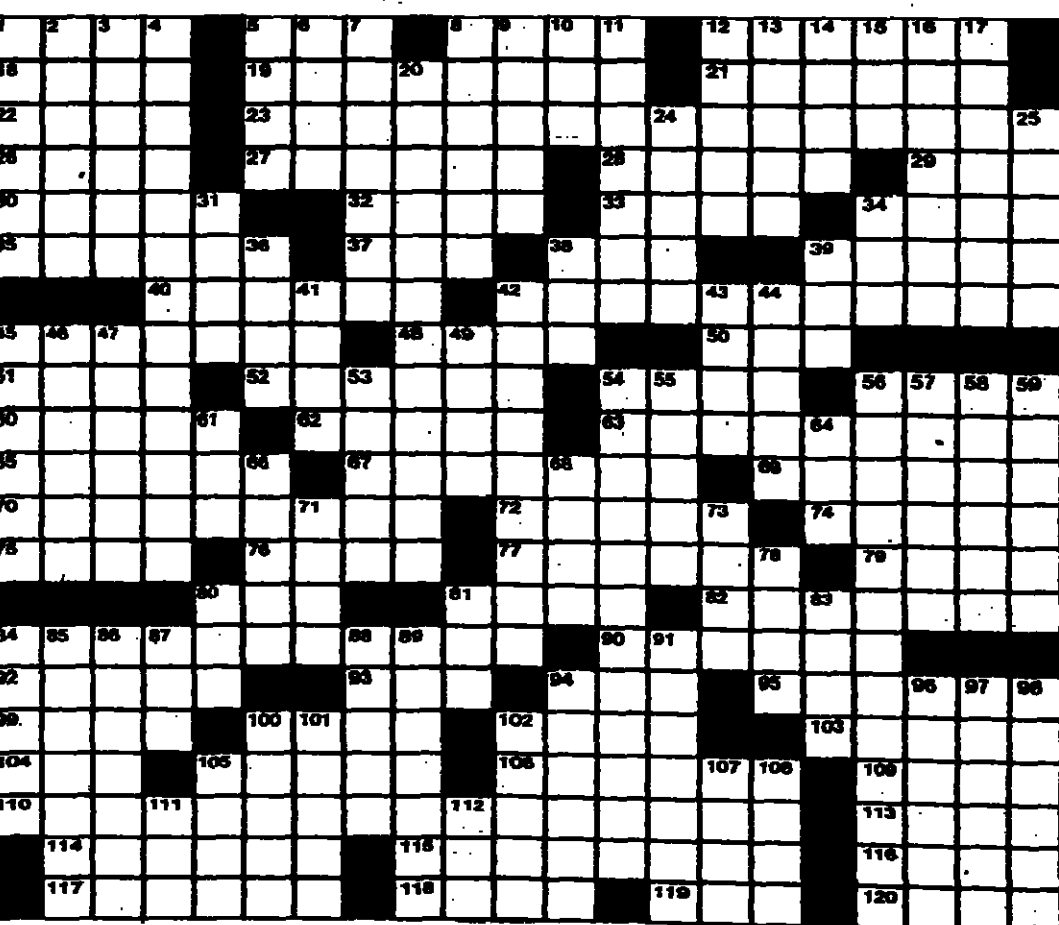
For nostalgia buffs, Burt Lancaster and Kirk Douglas team up once again in "Tough Guys," a light-hearted romp about two ex-cons who are tempted by one last caper. The movie, slated for release Oct. 3, is directed by Jeff Kanew.

And the fourth installment of the "Star Trek" saga is due in theaters at Christmas. William Shatner and Leonard Nimoy head the cast of "Star Trek: The Voyage Home," and Mr. Nimoy directs.

Elusive Elevens BY BERT ROSENFELD/Puzzles Edited by Eugene T. Malaska

ACROSS

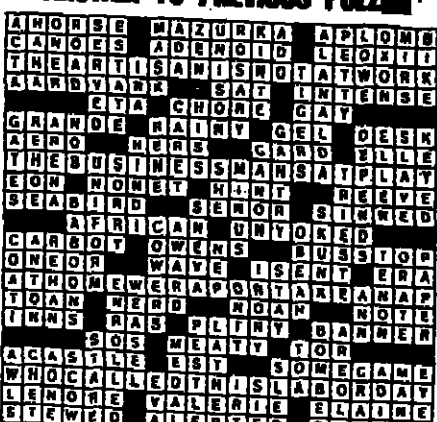
- 1 Precipitate
- 5 Long, long follower
- 8 Music from a subcontinent
- 12 Its lawgiver was Lyscurus
- 18 P. Mason or C. Darwin
- 19 Wool dress fabrics
- 21 More lighthearted
- 22 Born's partner
- 23 High-finance football team
- 26 Spinning sound
- 27 Steel-mill employee
- 28 "... the way of a man with ..."
- 29 On (gossip's morsel)
- 30 Hawaiian plantation foreman
- 32 Sensory stimulus
- 33 Swim spot for greeds
- 34 Radius pronoun
- 35 Uprising
- 37 Mil. trials
- 38 Kind of boss or bull
- 39 Structure on a predella
- 40 Triangular sail
- 42 Party-going football team
- 45 Germinative
- 46 Zona Gale's Miss Lulu
- 50 Got the drift
- 51 ... plaisir (gladly, in Gard)
- 52 Conway of the silents
- 54 Gabelhorn, Swiss Alpine peak
- 56 Galileo's home town
- 60 About 1,057 quarts, in Quebec
- 62 Name on a '45 plane
- 63 Held in awe
- 65 Floral fragrances
- 67 Handyman
- 69 Member of a Hebrew tribe
- 70 Dog property named Spot
- 72 Tom's bar partner
- 74 Acceptor's dive
- 75 Grieg's "Death"
- 76 1 and 95, e.g.
- 77 Willingham's "Man"
- 79 "Diamonds and ..."
- 80 Baez song
- 81 Island occupied in '42, retaken in '43



DOWN

- 2 Canaille
- 3 Sundry's creator
- 4 Water-pumping football team
- 5 Take—view (wider on)
- 6 Wilder who's often wild
- 7 Companion for arsenic
- 8 Flight components
- 9 Sinus cavities
- 10 Divided Eur. nation
- 11 His area is about 17,000,000 sq. mi.
- 12 Certain Moslem group
- 13 —a poke
- 14 Jeune
- 15 Minor waterway
- 16 Looks after
- 17 Anagram for Sinatra
- 20 Fashionable football team
- 24 Nicola of Cremona
- 25 Merak and Mizar
- 31 Freberg of TV commercials
- 32 Lobsters' shredding
- 34 Peripatetic football team
- 36 More spectral
- 37 Van Gogh painted here
- 38 Football Hall-of-Famer Parker
- 39 Org. for Bird and Birdsong
- 40 Algerian horse troopers
- 41 Lobscouse
- 42 Author de la Roche
- 43 Then, in Rennes
- 44 Where the Gibbelines held forth
- 46 Acapulco saint
- 48 Copland's "El ..."
- 49 Noblesse chaser
- 50 Adm. Farragut's impression
- 51 Handy Andy's football team
- 52 —escalar (school age, in Sonora)
- 53 Ida from London
- 54 Bull Run, to the C.S.A.
- 55 Tobin or Kyle
- 56 City on the Moselle
- 57 Favorable expressions
- 58 Cousin of a mess
- 59 Pillar filler
- 60 —up (combined)
- 61 Follower of Ham or Shem
- 62 W.W.I. river of contention
- 63 Galatea's unlucky love
- 64 D.J.'s offerings
- 65 Modern art
- 66 Chester and Festus, for short
- 67 Matting fibers
- 68 Contract component
- 69 Make orderly
- 70 Long Island's —Gardens
- 71 Tot's musical instrument
- 72 Lilly of pharmaceuticals
- 73 California, par excellence
- 74 Fishing trap
- 75 Precursor of trig.
- 76 Waiting for the Robert
- 77 Turbine-operating football team
- 78 Capital of South Yemen
- 79 Attracted to a coachman
- 80 Salt-covered plain of the Southwest
- 81 Patti LaBelle and her role successors
- 82 Spirit; courage
- 83 Contemporary of Delta and Sarah
- 84 Celestial handles
- 85 Indigent football team
- 86 Three-time American League M.V.P.
- 87 Overweight football team ending
- 88 Like a hedgehog
- 89 Those with expertise
- 90 Proposed Const. amendment
- 91 Beryl Sprinkel's concern
- 92 Least onerous
- 93 Knitted shoulder scarfs
- 94 Frontal
- 95 Beadsman, for one
- 96 Polished, in a way
- 97 Windfall
- 98 Perfume ingredient
- 99 Where the temple of Parvati is
- 100 Being, in Bonn
- 101 Mardi or foie
- 102 Start of the motto
- 103 Roof piece
- 104 Mystery writer
- 105 Foley

ANSWER TO PREVIOUS PUZZLE



Terminal talking - with modem

COMPUTERS don't have to feel lonely any more. Nowadays, a simple telephone line and a modem will connect your computer in Jerusalem with a data-bank in Los Angeles as easily as dialling your mother-in-law in Petah Tikva. Maybe easier.

A modem (Modulator and Demodulator) is a device used to connect computers to telephone networks and ultimately to each other. It comes in two main varieties: direct connection types and acoustic couplers.

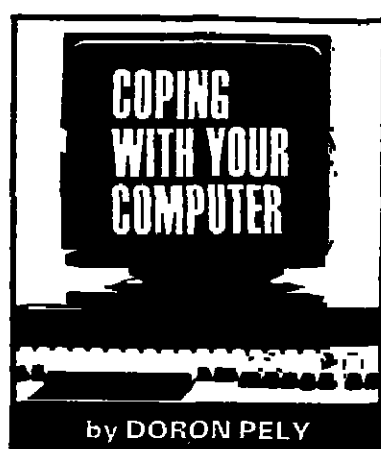
Direct connection modems are permanently plugged into the telephone system and are either built into the computer or packed into a box with wires leading into the telephone system. Acoustic modems are portable and can be hooked to any old phone. Their business end looks like two padded cups into which the telephone's handset is fitted.

Acting as an interface between remote computers, a modem receives strings of data from the sending computer and packs them in blocks for transmission to a corresponding modem at the other end of the line. The receiving modem separates the strings of binary data from the constant beep sound that serves as a "carrier," packs the data in fixed-size blocks, and stores them inside the host computer. Once inside the receiving computer's memory, there is no difference between transmitted and "home-grown" data.

BESIDES packing and unpacking data for transmission, modems have to ensure that the data received is the same as the data transmitted. For this purpose, the transmitted data is "padded" with special signals containing information such as the size of the transmitted block (in bits or bytes). The receiving computer can decipher those signals and ask for retransmission if it detects faults in the data count.

External electrical "pollution" due to atmospheric conditions or faulty telephone lines can foul up a transmission between modems, and in an attempt to avoid this trouble, special lines are allocated by the telephone company for use by commercial customers.

As with a regular telephone con-



by DORON PELY

versation, computers can talk and listen simultaneously. This is called "full duplex" mode. In simpler systems (half duplex), one modem should finish its conversation before the modem on the other end can start.

THE NUMBER and variety of data banks on the market is growing constantly, whether they are used for transmitting stock market prices or imparting anthropological information. Since, as with so much else,

there are two incompatible conventions or rules for modems - an American and a European, - it is important to make sure that your communication mate has compatible equipment.

Simple modems cost anywhere from \$300 to \$1,000. Every computer dealer worth his salt should be able to advise customers about the equipment required for fast, casual or professional use. Most new computers come fitted with the wiring needed to hook a modem. Old computers, not factory-fitted for modem communication, may need a simple kit to bring them up to par with current technology.

It is similar technology that will bring the recently inaugurated telex services to every television-equipped household. Here, the modem acts as a one-way decoder - receiving coded data from the telex transmitter and "unpacking" it for display on a TV screen. If your television set is not factory-equipped with the required circuitry, you'll have to hook up an external modem before you can receive telex services at home.

Czech take-over complete

Post Sports Staff

Czechoslovakia have put in a successful take-over bid of world tennis. Their gradual riddling of Sweden over recent years took a new dimension over the weekend when they provided all four finalists in the men's and women's U.S. Open.

Although technically Martina Navratilova is now an American, for the first time in the history of the sport both the men's and women's finalists in a Grand Slam event derived from a single nation.

After the marvellous victory by Helena Sukova over Chris Evert Lloyd, Navratilova had to work every inch of the way to take her place in the final; she squeaked past the talented West German teenager Steffi Graf after saving a match point.

Ivan Lendl, the world's No. 1, had duly taken his place in the final earlier on Saturday with a comfortable victory over Stefan Edberg. Then, however, the biggest upset of all when Miroslav Mecir won a titanic battle to oust Wimbledon champion Boris Becker in a tremendous match.

Mecir, who longs to be back home in Czechoslovakia, found himself instead still in the United States to play in the final against Ivan Lendl, after upsetting Wimbledon champion Boris Becker of West Germany 4-6, 6-3, 6-4, 3-6, 6-3.

"This is one of the best matches I have ever played," said Mecir, 22. "I was just trying not to lose."

"This guy is the most difficult to play against on the tour," lamented third-seeded Becker. "I can hit my



SQUEAKED THROUGH: Martina Navratilova

best serve, and he still can hit a winner off it." Becker lost his serve five times. "No shot is for sure against him," Becker continued. He added, "I'm disappointed, but I'm not going to die."

To win the matches he has this week you have to pose a problem to anybody," said Lendl about Mecir. "He must be playing great."

Mecir is the lowest seed to reach the final since tenth-seeded John Newcombe won the title in 1974.

Steffi Graf demonstrated why she is the heir-apparent to the women's tennis crown, but the reigning queen, Martina Navratilova, managed to stave her off with a dramatic 6-1 6-7 (3-7) 7-6 (10-8) victory in their semi-final.

Navratilova survived two match points in the 10th game of the third set and one more in an 18-point tiebreaker, the second of a match which time after time brought the fans at centre court to their feet.

Navratilova said that Graf's backhand was better than ever, and added, "I guess she's just hitting the ball harder. She's awfully fast. It's hard to prepare."

Navratilova said afterwards that she believes Graf, whose only victory over the world number one in four previous meetings came earlier this year on clay in West Germany, is the heir to her throne.

"She seems to be the natural successor... only because of her consistency. I think Hana (Mandlikova) at her best is better than Steffi at her best, but Steffi can be near her best more often," Navratilova said.

Graf was no shrinking violet in talking about the possibility of becoming the number one player.

"You see that she (Navratilova) is not that much better than everybody else," Graf said. "I think I'm really getting closer now. I have to improve my serve much more. And then I think it's going to be a much tougher match for her for sure."

Already, she does not think that Lendl is much of a threat any more.

"I think even Chris is not that great any more. I mean she's good. She's good. But I think she's getting back a little bit."

"I mean, I would have liked to play her in the semis, because she's not moving so good any more. She's not what she was one or two years ago."

Israel becomes homeland for bulb flowers

Gardener's Corner / Walter Frankl

SINCE our beautiful wild bulb flowers became "protected plants" by law, you can enjoy them in abundance in the Jerusalem Forest, on the Carmel and in many other woods in the country. Every spring in Israel brings myriads of crocuses, anemones, ranunculi, cyclamens, irises, gladioli, narcissuses, ornithogalums, lilies, arums, muscari and wild tulips. What a blessed country!

For decades our wild bulb flowers served botanists and nurserymen here and abroad as basal plants for cultivation and the creation of new species. Most of the bulbs you buy today are related in one way or another to our native wild flowers. We must thank the breeders and hybridizers who have been experimenting year after year and have been responsible for the introduction of the many beautiful varieties that decorate our gardens.

Our last column advised you to start working on soil preparation for bulb growing; today we begin with descriptions of common and less common spring-flowering bulb plants.

Anemone coronaria (windflower, *calaniti* in Hebrew) is a big poppy-like flower blooming in red, blue, violet and white with blue stamens. An ideal rock garden and border plant, it grows 15-25 cm. high. Anemones make brilliant splashes of spring colour in pots, balcony boxes or hanging baskets. They are also popular as cut flowers and are a major item sold by florists or street vendors in early spring.

It is worthwhile to pre-germinate the little black corms in a box filled with sand or vermiculite because the top is not easy to recognize. In a moist medium the little corms will germinate quickly and show you leaves and roots, so you'll be able to plant them later in their natural position. Some gardeners also soak the hard corms in lukewarm water for better germination. Anemones can also be grown from seed in early summer; they will bloom the following spring.

Crocus sativus (*carcum hugini*). A splendid flower, very useful for

rockeries and the first row of a flowering border. Crocuses grow wild in the Valley of the Cross and elsewhere around Jerusalem, in the plains and on Mt. Carmel. They are white and very fragrant. The basal, grass-like leaves, sometimes with a silvery mid-rib, can appear before, with or after the flowers. The extremely short stem is hidden underground. What looks like a stem above ground is the tube of the flower.

Dutch breeders have succeeded in developing coloured crocuses - yellow, lilac, dark purple, white with purple stripes and blue. You can buy them at nurseries and in seed shops. To make a showing, crocuses should be planted in groups of 15 or more with 20-30 cm. between groups. Plant corms as soon as they are available (September-October) in light (sandy) soil about 3-4 cm. deep. Although crocuses like full sun, they will bloom also in partial shade. They become naturalized in lawns, multiply and flower year after year. If you plant them in a lawn, don't mow off their foliage before it turns yellow.

Tritonia pottii (*monobrea* in English and Hebrew) is one of the tallest bulb flowers, reaching a height of 1-1½ metres, and flowers in red and orange. Tritonias should go in the last row of the flowering border. The high stems should be staked like those of gladioli. Tritonia, related to freesia, gladioli and ixia, is one of the earliest blooming bulb flowers. Although this plant is not suitable for balcony boxes, it can be grown successfully in large tubs or buckets.

Corms should be set out in September, some 3-4 cm. deep with 20 cm. between corms. Tritonias thrive when left in the ground for 5-6 years. They produce more and more flowers on long stems from year to year. The flowers are excellent for long vases. After the plants flower, the stems with their seed capsules will be a decorative addition to flower arrangements.

Muscari (grape hyacinth, *muscari* in Hebrew). A beautiful, bright

effect is the sight of these little blue flowers on short stems. Like crocuses, they should be planted in groups only, either as the first row in a border or in flat containers. Easy to grow, they thrive in almost any kind of soil. You may plant them as soon as you can buy them in September and enjoy the grass-like foliage in autumn. Flowers will follow in early spring.

The only disadvantage with muscari is the long-lasting ugly foliage after the flowers fade. Here is a dilemma for the gardener: if you remove the foliage before it becomes completely dry, you will have fewer and smaller flowers next season. A solution may be to plant white alyssum next to and between the groups of muscari. The white-blue colour combination will add charm to the border, and the spreading alyssum will later cover the ugly muscari foliage. Muscari corms may be left in the ground for many years and will increase from season to season, becoming a harbinger of spring in your garden.

Freesia, a beautiful scented small flower, named for the German botanist Freese. Freesia "bulbs" (in reality corms) will be among the first available and should be planted at 2-week intervals to prolong their blooming period. Most suitable for pots, hanging baskets or balcony boxes. Their cultivation began about 100 years ago, when Dr. Freese found the wild-growing *Freesia alba* in South Africa. In 1899 a British surveyor named Armstrong discovered a coloured form at Hermannsdorp in South Africa. Since the introduction of coloured varieties, with large flowers in many lovely and delicate shades, freesias have gained in popularity. These hybrids are the result of crosses between the white and coloured varieties. Freesia flowers now bloom in salmon orange, buff, lavender, pink, golden yellow with an orange blotch, rose, light purple and, of course, white.

Under proper conditions the plants remain in bloom for about 2 weeks and through successive plantings a continuous supply of blooms may be obtained. Freesia culture is quite simple. When planting, space the corms 3-5 cm. apart and press

them into the prepared loose soil mixture so that the tips are covered with about 1-3 cm. of soil. Water moderately but never let the soil dry out.

When the buds begin to open, very weak liquid manure may be substituted for the water to encourage long flower spikes set with larger blossoms. Don't worry if the leaves are bending down - the following flower spikes will grow upright. If you want the whole freesia plant to grow upright, you have to stake it with thin bamboo or other sticks. When the blooming season is over, the corms may be left in the ground for next year. They will multiply and produce more flowers from year to year.

Hypanthoides hybridum (*amaryllis* in English and Hebrew). Although some amateur gardeners grow amaryllis in flower beds, this plant is a perfect pot flower. Amaryllis bulbs are unusually large, about the size of a coconut. The pot you use should be at least twice the size of the bulb. In contradiction to all other bulbs, amaryllis should be planted with half or even two-thirds of the bulb above the soil surface. Tamp the soil thoroughly around the base and water. Keep the soil only slightly moist until the bulb starts to grow. Be careful, because watering a bulb too much after growth starts may cause it to rot.

Once the leaf tip emerges from the centre of the bulb, and after the bloom stem has cleared the scales, it seems that the bulb no longer uses stored moisture and food, but feeds through its roots; you may then apply more water regularly, but don't over-water. A location with full sun is best for an amaryllis. To prevent the hollow stem from being broken by the wind, stake the flower stem loosely. Plastic stakes, available at nurseries, are recommended.

Amaryllis flowers can be cut and used in indoor decoration. Sometimes four or more flowers appear on a single stem. There is no visible difference in the large bulbs, but your nurseryman may be able to tell you whether the bulb you are buying will flower in red, pink, white or mixed colours.

More about spring-flowering bulbs in our next column.

Astros delight in Cruz homer

NEW YORK (AP) - Jose Cruz hit a ball that disappeared over the right-field fence to help the Houston Astros to a 7-6 victory over the St. Louis Cardinals in Major-League baseball action on Saturday, to keep the Astros in their 7-game lead at the top of the National League West.

Gary Carter hit two home runs, including the game winner with two out in the eighth inning, to help the Mets to victory over the Padres.

Fernando Valenzuela pitched a six-hitter for Los Angeles and struck out a season-high 14 as the Dodgers eased the Phillies.

Bob Horner hit his first career Grand Slam to help Atlanta to victory. He connected in the third inning against Stan Fansler, who was making his Major-League debut for the Pirates.

Ted Power pitched seven strong innings and Dave Parker drove in two runs to lead Cincinnati to a convincing triumph over the Cubs in their earnest pursuit after the Astros.

Luis Rivera's two-run single capped a three-run rally in the eighth inning by Montreal as they shaded the Giants 3-1.

AMERICAN LEAGUE

Marty Barrett had a two-out single in the ninth inning to lift the Red Sox to a narrow victory, 3-2 over the Twins.

Joe Carter went 5-for-6 with two homers and two doubles, driving in four runs and scoring five for Cleveland as the Indians went on a ramp



DOUBLE HOMER: Mets' catcher Gary Carter

and took their lion's share of the 27 runs in the game with the Braves.

Jimmy Key quipped Floyd Banister and George Bell hit a fourth-inning homer to help Toronto blank the White Sox.

Stan Javier lined a two-out single to left to drive in Jose Coneseo with the winning run for the A's over the Tigers.

Mike Morgan pitched a five-hitter for the victory and Phil Bradley and Jim Presley drove in two runs apiece in the first two innings for the Mariners as they coasted to a 6-2 triumph over the Orioles.

Rookie Pete Incaviglia hit two solo home runs and Orlando Mercado and Ruben Sierra also homered

for Texas who upended the Royals 6-4.

Brian Downing, Doug Decinces and George Hendrick hit home runs and Mike Witt scattered seven hits as the Angels whalloped the Yankees 9-2.

NATIONAL LEAGUE EAST

	W	L	Pct.	GB
New York	90	44	.672	-
Philadelphia	70	65	.519	6 1/2
St. Louis	68	67	.504	7 1/2
Montreal	66	67	.496	7 1/2
Chicago	59	74	.442	14 1/2
Pittsburgh	54	80	.403	19 1/2

WEST DIVISION

	W	L	Pct.	GB
Houston	77	58	.570	-
San Francisco	70	65	.519	7
San Diego	68	67	.504	9 1/2
Atlanta	64	70	.478	12 1/2
Los Angeles	64	71	.474	13
San Diego	63	72	.467	14

SATURDAY'S GAMES: New York 4, San Diego 3; Houston 7, St. Louis 6; Los Angeles 3, Philadelphia 2; Cincinnati 5, Chicago 1; Montreal 3, San Francisco 1; Atlanta 4, Pittsburgh 2.

AMERICAN LEAGUE EAST

	W	L	Pct.	GB
Boston	81	54	.600	-
Toronto	76	60	.559	5 1/2
New York	70	65	.519	11 1/2
St. Louis	68	67	.504	13 1/2
Chicago	66	67	.496	15 1/2
Philadelphia	59	74	.442	18 1/2
Pittsburgh	54	80	.403	23 1/2

WEST DIVISION

	W	L	Pct.	GB
California	77	58	.570	-
Seattle	70	65	.519	6 1/2
Oakland	68	67	.504	8 1/2
Kansas City	62	74	.456	15 1/2
Seattle	61	75	.447	17
San Francisco	59	77	.433	19 1/2
Minnesota	58	77	.430	20 1/2

SATURDAY'S GAMES: Boston 3, Minnesota 2; Texas 6, Kansas City 4; California 9, New York 2.

SCOREBOARD

CRICKET - Opener Krishnamoorti Srikanth took a hat-trick and a stonewall 64 by debutant Ramesh Laxmi steered India to a convincing seven-wicket win over Australia in the first one-day Test at Jaipur. India overtook Australia's 250 for three in the 41st over of the match to take a 1-0 lead in the six-match series.

ATHLETICS - European 28-km. walking champion Josef Pristl of Czechoslovakia set a world best one hour mark of 15.47 metres in Hildesheim, West Germany. He beat the old best mark held by Mexican Ernesto Canto by 264 metres.

CYCLING - Moreno Argentin of Italy made the most of a daring gamble, powering up the final hill and sprinting to victory in the professional road race of the world cycling championships in Colorado Springs, Argentina, the bronze medalist last year, crossed the finish line about a mile ahead of a surprising Charly Mottet after the 261.8km. race.

BOXING - Challenger Rocky Caza of the U.S. stopped Yugoslavian Stobodon Kazar in the fifth round of their scheduled 15-round fight to take away his IBF light-heavyweight title.

BOXING - undefeated IBF heavyweight champion Michael Spinks knocked down European champion Steffen Tangstad of Norway three times in Las Vegas before stopping him in the fourth round of a scheduled 15-round bout to retain his title.

Worth the wait

MUSIC

standing in the cruelly difficult horn part.

Frank Martin's Concerto, composed in 1949, is rightly considered a modern classic. The first movement

suffers from that surface glitter and emotional shallowness that characterizes much of French neo-classicism. The second and third movements are on an altogether different level, combining intensity and panache to thrilling effect. The soloists, drawn from the orchestra, and the accompaniment were all one could hope for.

The Jerusalem Symphony does not play Brahms with the instinctive authority of great European orchestras, and the young conductor has not yet amassed sufficient experience to have the measure of Brahms. The performance of the Haydn Variations, though creditable, was both stodgy and lacking in weight.

MOSHE SAPERSTEIN

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- "The Jeweled Ladder" - The story of Mohammed's Night Journey
- The tip of the pen and the eye of the camera discover Safed, the City of the Mystics
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CELEBRATION 87

The 1987 United Jewish Appeal/Federation Campaign will open in Jerusalem this month, with an assembly celebrating twenty years of a United Jerusalem and the Centennial of David Ben-Gurion's birth.

The celebration will begin on Tuesday, 23 September 1986, at 8:00 p.m. at the Merrill Hassenfeld Amphitheatre (Sultan's Pool), where a sound and light show on Jerusalem and Ben-Gurion will be presented.

The UJA/Israel Operations invites Jerusalem residents and members of the AACI to join us for the opening event.

Tickets available at:

AACI
Jerusalem Region
6 Maccabiah Street
Jerusalem

UJA Israel Operations
1 Ibn Gabirol Street

Tel. 02-636932

Tel. 02-248446

Views and News at the Hotel Inter-Continental with The Jerusalem Post

The Hotel Inter-Continental Jerusalem distributes complimentary copies of The Jerusalem Post to guests every day.



Kibbutzim's woes hurt prawn exports

By YA'ACOV FRIEDLER
Jerusalem Post Correspondent
HAIFA. — The lucrative little prawn is proving a big problem this year, despite its high export value.

Last year Israel exported 40 tons of the tiny crustaceans, earning about a quarter of a million dollars in foreign currency. But exports are expected to drop to only 30 tons this year as a result of the financial difficulties of the kibbutzim which breed the prawns in their fish ponds.

The export season, which lasts until November, started last week with the air-freighting of several hundred kilograms of fresh prawns on ice to West Germany. And this year's prices are good, ranging from \$3 to \$8 per kilo, Amnon Levin, secretary of the Fish Breeders Union, told *The Jerusalem Post*. But the problems are big, as well.

"Fresh-water prawn-breeding is still in the experimental stage, and in their present financial straits the kibbutzim are wary of engaging in experiments and investing in the additional facilities that could build the branch into a fine export market," Levin explained.

The prawns spawn in specialized centres in the winter, their natural spawning season. But, as they are warm water creatures they cannot be transferred to the ponds until the water temperature rises to above 20°C, which in Israel occurs in the late spring.

By this time they weigh about 0.2 grams and cost the kibbutz four U.S. cents each. When the export season starts in August, they weigh anywhere from 20 to 45 grams, which is considered small for prawns going on to the market.

"We have not yet solved the problem of keeping them through the winter, so we must export them all by November," said Levin.

The warmer water in some parts of the Jezreel Valley which stay above 20 degrees may make it possible to grow a really lucrative, large size prawn, Levin said.

However, in their current financial straits, none of the kibbutzim are eager to make the try. To keep the prawns through the winter would involve the construction of special ponds; currently they are bred alongside the fish in the ponds, where they do not get the attention they need.

Packaging and shipping costs amount to about \$1.20 per kilo and the kibbutzim producing the biggest prawns that fetch the top price of \$8 can do very well. But profitability diminishes with the smaller prawns.

This year's marketing plans also include sales thrusts into Italy and trial shipments to the U.S., as the union wants to expand the market.

"Research is continuing, and we hope to build up this new export branch into an important by-product of the fish ponds in future, when the economy picks up again and the kibbutzim will again be able to afford investments," Levin said.

The country's fishermen also export sea shrimps, but as there is a very lucrative market for them inside the country, a lot of their catch ends up staying here. The pond fishermen on the other hand respect the *kashrut* requirements that come with the leases of their land from the Jewish National Fund and market their prawns exclusively abroad.



Stocks in ponds: Kibbutzim use regular fishponds like these to breed prawns for the export market, but without further investment, sales will not grow by much.



Market signals discounted

Experts doubt inflation fears

PARIS (Reuters). — Fears of a new bout of inflation last week disturbed global financial markets that were already worried by a falling dollar, sluggish economic growth and a rise in oil prices led by the Opec exporters.

But economists polled by Reuters in Western Europe could generally see no firm grounds for believing that the wage-price spiral was destined for any sharp new twist in the near future.

Still, speculators bailing out of fixed-interest securities pushed gold prices to a three-year high last week, after the U.S. announced a record \$18 billion July trade deficit and said the dollar might have to fall further to narrow the export-import gap.

Investors also fear the Reagan administration, coming up to congressional elections, will engineer a lower dollar to boost the economy by means of a new round of U.S. interest rate cuts, causing an inflationary boom in U.S. money supply. West Germany and Japan, resisting U.S. pressure for cuts in their own interest rates, have cited the risk of reigniting inflation in their economies.

A 20 per cent rise in gold prices since the start of this year, booming stock markets and a healthy revival in company profit margins all point to strong liquidity growth in the industrial world, economists in West European capitals said.

In West Germany, the Bundesbank says an over-expansion of the money supply is its primary fear. Money stock growth ran at 6.7 per cent in July, well outside the 5.5 per cent upper end of an official target range.

But in spite of the official caution, economists could find little real grounds for the inflation fears at present.

CONSUMER PRICES

Percentage change

	Latest	Year-on-Year	Previous	Year-on-Year
Belgium	Aug.	+0.1	+0.8	+0.7
Canada	Jul.	+0.8	+4.2	+0.2
France	Jul.*	+0.2	+2.1	+0.3
Italy	Aug.	+0.2	+5.9	UC
Japan	Jul.	-0.3	+0.1	-0.7
Netherlands	Jul.*	-1.0	-0.7	-0.4
Switzerland	Jul.	-0.5	+0.5	UC
Britain	Jul.	-0.3	+2.4	+0.1
U.S.	Jul.	+0.5	+1.6	+0.5
W. Germany	Aug.	-0.2	-0.4	-0.5

* Provisional.

"Currently, there is little fear of West German inflation rising," said Ute Geipel, senior economist in Frankfurt for Citibank AG.

At the Paris-based Organization for Economic Cooperation and Development, which monitors trends in the main 24 non-communist industrial nations, economists said it was too soon to draw firm conclusions from economic indicators published in the past two months. But the mid-year average yearly inflation rate for the 24 countries was only 2.5 per cent, two percentage points less than the OECD was forecasting six months ago, they noted.

West German living costs fell 0.4 per cent from year earlier levels in August, largely because of a fall in petrol and heating-oil prices. But even without that bonus, living costs would have risen only 1.5 per cent, official figures showed.

Excluding the benefit of falling oil prices, the underlying mid-year inflation rate in the OECD area was about 3.25 per cent, a full percentage point less than expected. With prices steady or falling in West Germany and Japan, and barely rising in the U.S., objective grounds for concern seem limited.

Even if oil prices held their recent recovery the additional boost to German inflation, for example, would probably be no more than 1 or 2 per cent, German economists said. In nations such as Britain, oil companies also did not pass on to consumers of refined products all the benefits of cheaper crude.

At the same time, said analysts in Paris, the weakness of the dollar has had far less impact on American price levels than they would have expected.

Even if the dollar's fall starts to push up U.S. prices in the next few months, this would probably be a

once-off rise, not the start of a vicious wage-price spiral, they added.

Many U.S. workers are governed by three-year contracts, which limit scope for higher prices to feed through to higher wages.

In other leading industrial countries, except for Britain, pay levels are now moderate, and there are few signs of labour militancy changing the scene next year apart from a 10 per cent German steelworkers' wage claim which is unlikely to succeed, one analyst commented.

Even in Britain, analysts have been predicting inflation no higher than 4 per cent by the end of 1987.

Non-oil commodity prices too are generally weak and seem likely to stay that way, depressed by massive surpluses of food and industrial raw materials.

"Overall, inflation is actually lower than OECD forecasts predicted a few months ago, which is very encouraging," one international economist said. "And in America it hardly exists. Certainly there is a lot of liquidity slopping around in the system, but it's difficult to prove that this will lead to higher inflation. It's a fairly small risk."

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WORLD BUSINESS IN BRIEF

World trade increased by 3% last year

GENEVA (AP). — World merchandise trade grew in volume by an estimated 3 per cent last year and should expand even more rapidly in 1986, but current trade policies invite a long-term economic decline, the General Agreement on Tariffs and Trade said.

The GATT Secretariat's annual review of world commerce forecast a 3.5 per cent rise in trade volume this year.

But it warned against a continued widening of government measures against free trade, particularly subsidies, quotas and market-sharing agreements. A further trend towards such restrictions "would cripple efforts to deal with such pressing problems as servicing debts, creating jobs and promoting economic growth."

In value terms, goods trade grew 1 per cent in 1985, less than the volume expansion because of the strong dollar, the study predicted an 8 per cent rise this year due to the fall of the dollar.

Last year's volume figure was below the 9.5 per cent expansion in 1984. A year of strong economic recovery, lagging growth in 1985 growth was a "key factor" in crimping trade expansion, the study said.

U.S. UNEMPLOYMENT fell for the third successive month during August to 6.8 per cent, its lowest level since January, the Labour Department said Friday.

Unemployment and consumer prices have been bright spots in a gloomy U.S. economic picture this year. The U.S. inflation rate has actually declined at a 0.2 per cent annual rate for the first seven months of 1986.

But economist Ward McCarthy of Merrill Lynch and Co. firm said only limited comfort could be taken from reduced unemployment. "It's an uneven economy with pockets of

strength and a still-weak manufacturing sector."

GOLD PRICES leapt to their highest levels in three years in New York Friday, spurred by fears of political repercussions from the hijacking of a Pan Am jet in Karachi, traders said.

The price for September delivery gained \$12.80 to close at \$422.80 an ounce on the commodity exchange in New York. Spot bullion gold closed at \$422.85 an ounce after Thursday's 410.

The metal, which broke through the \$400 an ounce barrier last Wednesday, was fixed in London after a delay of more than an hour because of the high level of activity at \$420.80 an ounce Friday afternoon, the highest level since September 1983.

"Nobody wanted to be short of gold over the weekend and there was speculation that a Libyan involvement could bring a U.S. response," said Martin McNeill of Dominick and Dominick Inc. in New York.

A DEBT AGREEMENT involving a \$12 billion package to bolster the nation's finances should be worked out between Mexico and foreign banks by the end of the month, Treasury Secretary Gustavo Petricolo said Friday.

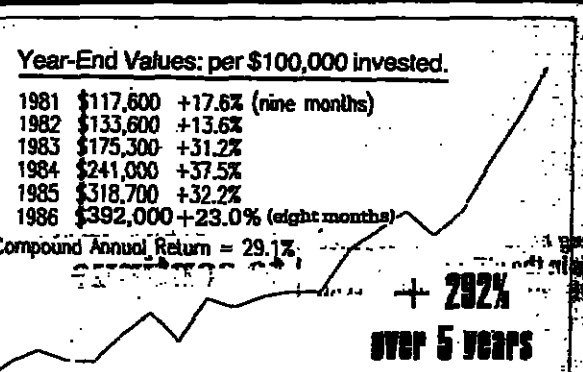
He said the International Monetary Fund should give final approval to a \$1.6b. loan today, which would then enable Mexico to wind up talks with commercial banks. By September 16, talks with the Paris Club — a group of Western countries to which Mexico owed money — should be completed, and soon after that an accord should be reached with Japanese banks for a \$1b. loan package.

By September 29, Petricolo said, Mexico should reach an agreement in principle with the remaining foreign bankers. Mexico has debts amounting to \$100b., the second highest in the developing world.

MEXICAN CONSUMER PRICES jumped 8 per cent last month, the sharpest increase since January, the Bank of Mexico reported Friday. The August rate brought inflation so far this year to 39.4 per cent.

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- Statistical calculations have shown a better than 95% probability of quadrupling the investment over 7 years.

For full details in strict confidence contact:

Michael Goldman or Matthew Nurick,
POB 39210, Tel Aviv 61391
Tel. 02-722482, 052-33683/20390, 03-289610

Ministry of Communications/Philatelic Services announces a

Public Competition for the Design of a Stamp:

Maintenance of Cleanliness

Full details are available from Philatelic Services, 12 Sderot Yerushalayim, Jaffa 61080, Tel. 03-825221, 8 a.m.-12 noon; or write to the above address. Last date for submitting entries: November 20, 1986 (12 noon).

NOTE: Those who write for details, should give the postal code of their address.

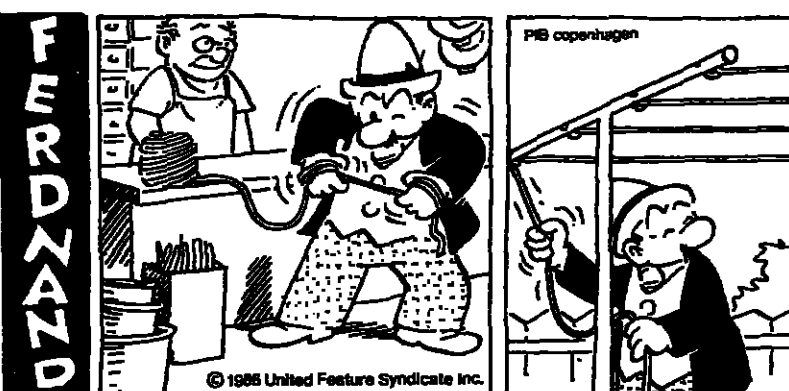
Investment Opportunity: AUSTRALIA

A large, old established, Australian company is now distributing Israeli, advanced — technology products, and seeks to increase its product and investment range.

Quick references: P. Kotzier
Israel Consul for Economic
Affairs, Sydney

Interested manufacturers and inventors should contact:

Global Technology Limited
P.O. Box 662,
Queen Victoria Bldg.
Sydney, Australia 2000
Tel. 02-267-8422 Fax: 02-267-8531
Telex: 02-71070



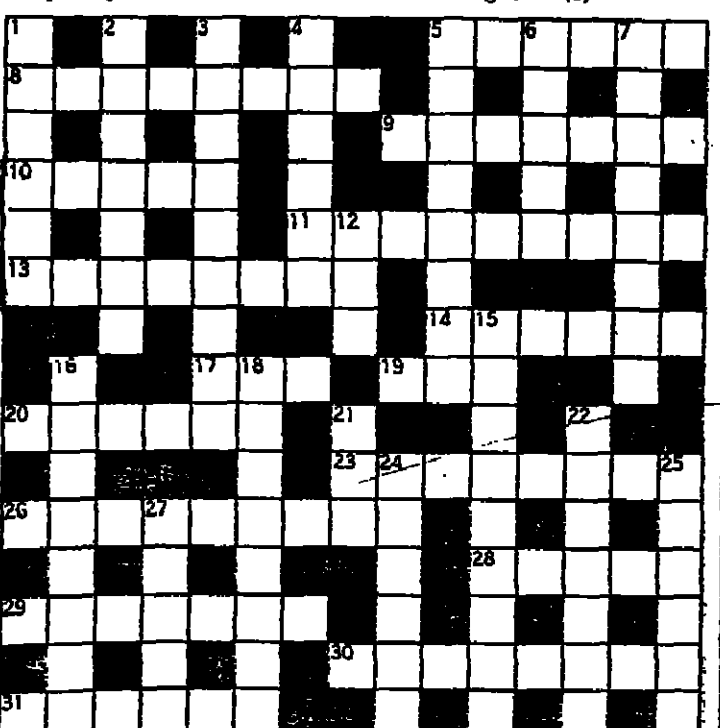
ONE-ON-ONE CROSSWORD

ACROSS

- 5 & 8 An affair participants plan to keep to themselves (6,8)
- About to see through and go to pieces (7)
- 101 object to the French and English altercation (5)
- 11 It's helpful after a deuce of a game (9)
- 13 Authority sustained by might and main (3,5)
- 14 Mischievous from the Spanish angle (6)
- 17 Scottish Highlander? (5)
- 19 Area short of a hundred square metres (5)
- 20 Sticky position for man or beast (6)
- 23 Call workers to join elaborate procession (8)
- 26 Biggest twist to cross the Atlantic? (6,3)
- 28 Lighter to push, maybe (5)
- 29 Cut meal out as a token of peace (7)
- 30 Could with slip on be a match for curlers (8)
- 31 I allow it sounds but a small opening (6)

DOWN

- 1 Substance proved on paper to give some colour (6)
- 2 Brilliant description of a girl, so to speak (7)
- 3 If they're on tick, beware; you may pay dearly for them (4,5)
- 4 Albeit sweet, could be as nude... (6)
- 5... as this public exhibitionist... (8)
- 6... describing this heavenly visitor (5)
- 7 One who pays tribute when it's due (8)
- 12 Quirky humorous old copper on the line (3)
- 15 Even you can't do better than this (5,4)
- 16 State a bigamist finds inadequate (8)
- 18 Unrest that is brought about when hungry (8)
- 21 Emulate a primate (5)
- 22 Mass celebration with introductory part to it (7)
- 24 She has a relative about 51 (6)
- 25 Blows up, but is all right within seconds (6)
- 27 Punishing food? (5)



GENERAL ASSISTANCE

EMERGENCY PHARMACIES

Jerusalem: Bakshi, Mahana Yehuda, 227761; Balam, Salah Eddin, 272215; Shu'af, Shu'af Road, 810108; Dar Alidwa, Herod's Gate, 262068.
Tel Aviv: Briit, 28 King George, 283731; Ziva, 52 Ebel, Hatikva, 378403.
Netanya: Kupat Holim Clalit, Brodsky, 91123.
Haifa: Yavne, 7 Ibn Sina, 672288.

DUTY HOSPITALS

Jerusalem: Bikur Holim (pediatric), Hadassah Ein Karem (internal, surgery, orthopedics, E.N.T.), Misgav Ladach (obstetrics), Shaare Zedek (ophthalmology).
Tel Aviv: Rotah (pediatrics), Ichilov (internal, surgery).
Netanya: Laniado

POLICE 100

Dial 100 in most parts of the country. In Tiberias dial 324444, Kiryat Shmona 4444.

FIRE 102

In emergencies dial 102. Otherwise, number of your local station is in the front of the phone directory.

FIRST AID 101

In emergencies dial 101 in most parts of the country. In addition:

Ashdod 41333 Jerusalem 523133
Ashkelon 23333 Kiron 344442
Bat Yam 581111 Kiryat Shmona 44333
Beersheba 74767 Nahariya 823333
Carmiel 588555 Netanya 22333
Dan Region 781111 Patah Tikva 9231111
Eilat 7233 Rahovot 451333
Hadera 22333 Rishon LeZion 942333
Haifa 512233 Safed 30333
Hetzor 36333 Tel Aviv 240111
Holon 803133 Tiberias 50111
Mobile Intensive Care Unit (MICU) service in the area, around the clock.

"Eran" — Emotional First Aid, Tel: Jerusalem 227171, Tel Aviv 261111/2, Haifa 22222, Beersheba 418111, Netanya 35316.

Rape Crisis Centre (24 hours), for help call Tel Aviv, 234813, Jerusalem — 245554, and Haifa 382611.

Jerusalem Institute for Drug Problems, Tel. 863828, 863902, 14 Bethlehem Rd.

The National Poison Control Centre at Rambam Hospital, phone 04529205, for emergency calls, 24 hours a day, for information in case of poisoning.

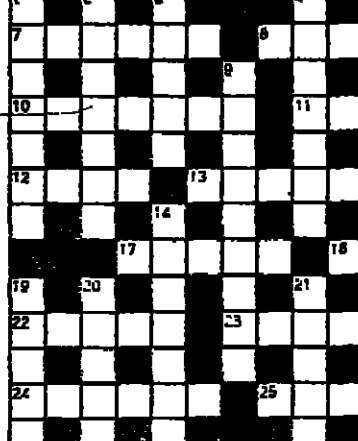
Kupat Holim Information Centre Tel. 03-435500, 435500 Sunday-Thursday, 8 a.m. to 8 p.m. Friday 8 a.m. to 3 p.m.

24-Hours Flight Information Service: Call 03-8712484 (multi-line). Arrivals Only (Taped Message) 03-381111 (20 lines)

QUICK CROSSWORD

7 Banknote (s.l.)

8 Enunciates
10 Arms depot
11 Reason
12 Colour



13 Good fellow
14 Shatter
15 Brass instrument
22 Performed
23 Instruction
24 Stiffener
25 Pester

DOWN

1 Peculiar
2 Dance
3 Hair dye
4 Agreement
5 Come about
6 Michaelmas daisy
9 The panels (anag.)
14 Foretell
15 Melodious
16 Lacquer
19 Lift
20 Turncoat weasel
21 Conclusive

Yesterday's Solution

PROPRIETY GLOTH
ADMISSION EUB
CNEU CANALS
MATCHCASE N M T
P E T A FIBST
A H A E N D N C
STANDARD ENGLISH
P U M G I N S P E
AFRAID S B G M
R S R SLAUGHTER
ASHRAM A R E A
G I B UNDERSTON
UNROLL DATE
S T E PSEUDONYM

QUICK SOLUTION

ACROSS: 1 Start off, 7 Ashen, 8 Disappear, 9 See, 10 Ewer, 11 Scheme, 13 Plenty, 14 Philip, 17 Fedora, 18 Sofa, 20 Air, 22 Unselfish, 23 Jem, 24 Forewar, DOWN: 1 Sedg, 2 Austere, 3 Tope, 4 Fresco, 5 Chase, 6 Koecep, 7 Arsenic, 12 Stadium, 13 Pyramid, 15 Leonine, 16 Presto, 17 Frail, 19 Abhor, 21 Alias.

MARKET PLACE

PINHAS LANDAU

There's no accounting for taste

The international press has spent the last three days trying to figure out how gold and the dollar both had such a strong day in New York on Friday. The two vehicles are supposed to go in opposite directions, not power ahead in tandem. But that's what they did.

That phenomenon, and the literature it has spawned, is only the latest in a growing list of confusing issues in the various markets.

Every potential item has become a subject for the broadest possible range of predictions. For instance, the basic question of whether the world economy is heading for strength or weakness is not merely an area devoid of consensus but is in fact given to extreme prognoses ranging from boom to depression, and each bit of information causes sharp swings of opinion. This lack of clarity on basic economic fundamentals is the main reason for the volatility and nervousness of the markets.

Another example is the gold market, now the centre of the action. At first it was rising because of platinum, then it was rising because of the South African situation, now it's because of a fear of renewed inflation, or, more simply said, because it has "momentum." This last approach is not naive; it simply says that because there is so much speculative money washing around, it creates long-lasting trends in whichever market it is headed into or away from.

Precious metals, after suffering for years from net outflows, are now back in favour. This is a legitimate technical approach, that "the trend is your friend," but leaves the fundamental causes of these shifts in taste—if there are indeed any at all—no clearer than before.

The stock markets are equally unclear. In New York, the Dow Jones Industrial Average hit an all-time high last week, but pessimism about the outlook for the economy held it off for a week after the publication of yet another record trade deficit, until positive unemployment statistics rallied the optimists in their ever-ending hope that a resurgence in growth is in the offing.

But with all its records, Wall Street's performance has been overshadowed by that of several European bourses and, of course, Tokyo. Winning shares is becoming trendy all over the world (except, one need hardly add, here in Israel).

In Britain, the number of share-owning citizens has doubled since 1983. The country, and especially the City of London, is gearing up for the long-awaited Big Bang day on October 27, when the stock exchange becomes deregulated.

Not satisfied with the six million people who already own shares (16 per cent of the adult population), the London Stock Exchange is encouraging more information and education campaigns to make common folk overcome their fear of the supposed intricacies and mysteries of capitalism. A recent booklet marketed by the exchange's PR firm elicited 30,000 requests—an extraordinarily high number. The quality press has encouraged the trend with competitions like the *Times*' "Portfolio"—a sort of rich man's "Bingo," say the cynics—and are now running series aimed at explaining the stock market to beginners.

At the very same time—and this will come as no surprise to some—the professional talk is of whether the current bull leg is the last of this market, and how one can pick the top. One of the classic signs has always been when the wider public, which previously had no interest in shares, gets drawn into the market. The small man's money has often entered in time to allow the smart money to unobtrusively make its departure before the tide turns.

Analysts see Britain's payments balance moving into the red

LONDON. (Renter). — Low prices for its North Sea oil may soon plunge Britain's balance of payments account into the red after six years of surplus, economic forecasters say.

Among London-based economists polled on British prospects, at a time when the government is making a record \$4 billion borrowing in the capital markets, most predicted a current-account deficit for 1987.

Some even held that the payments position was deteriorating so rapidly that the country's \$1.41b. current-account surplus in the first half of 1986 would be more than wiped out by year's end.

In a report released last month the Institute for Economic and Social Research, an independent think-tank, said: "It seems reasonably certain that, following six years of substantial surplus on the current account when the surplus on oil trade

Corfu rejects plan to merge bus co-ops

By YITZHAK OKED
TEL AVIV. — The Ministry of Transport will oppose the merger of Egged and Dan bus cooperatives. Transport Minister Haim Corfu told the chairman of the two leading bus cooperatives yesterday.

Corfu made his views known in a harsh letter, delivered yesterday, saying that a merger is in opposition to ministry policy and the principles of an agreement reached between the ministry and the cooperatives. "It is against the best interests of the public for the public transport in the country to be under the control of one body, even if this is a responsible body," the minister wrote.

Members of the two cooperatives voted for a merger in 1979, and the secretariats of the two bodies began preparations for a final merger. Then, the Transport Ministry together with the support of an array of other government bodies forced Dan and Egged to halt work towards a merger.

Last Thursday, the chairman of the two cooperatives, Yosef Horowitz, of Dan, and Shlomo Levin, of Egged, together with Danny Rosolio, secretary of the Histadrut hold-

ing company Hevrat Ha'ovdim and Economics Affairs Minister Gad Ya'acobi, called on the government to allow the union of the two bus cooperatives.

They pointed out that the two cooperatives had worked out most of the terms of the merger which, they maintained, would improve the efficiency of the transport sector.

Officials at both bus cooperatives told *The Jerusalem Post* yesterday that they were pessimistic about the prospects of the government approving the merger in the foreseeable future.

"The Labour Party ministers are in favour of the merger, while the Likud ministers oppose it. What is important though is that the Likud ministers are the ones that can approve such a move," one bus cooperative official told *The Post*. He was referring to Corfu, as well as Labour Minister Moshe Katsav and Finance Minister Moshe Nissim.

A spokesman for the Transport Ministry pointed out to *The Post* that an interministerial committee in December 1979 had voiced its opposition to a merger. "This decision still holds," the spokesman said.

Elsclint signs restructuring pact after months of negotiations

Post Economic Reporter
Elsclint Ltd. announced in New York on Friday that the company's capital restructuring pact had been signed with seven banks and its major shareholder, Elron Electronics Industries Ltd.

The accord—first announced last March—was held up by complicated negotiations between the parties and the need for detailed financial statements, which were only authorized by the Israeli and U.S. accountants last week.

Under the accord's terms, the banks will wipe out \$80 million of Elscint's \$184m. of debt, and Elron will cancel a further \$10m. of debt. In addition, the banks will convert another \$50m. into a four-year loan with interest and principal payable on maturity. They will receive 25 million warrants convertible into

Elsclint's regular shares at \$2 per each over the next four years. Elron will inject an extra \$20m. of capital into Elscint and will receive \$10m. of a new class of convertible preferred shares, also at conversion terms of \$2 for each regular share.

The company's stock, which is traded on the New York Stock Exchange, reached new lows on Friday, touching 1 3/8 and closing at 1 1/2. Nevertheless, Elscint executives yesterday expressed pleasure and relief that the prolonged negotiations were over.

The agreement is to be ratified at a shareholder's meeting to be held in Haifa in November.

In the seven months to October 31, 1985, Elscint reported a loss of \$92m. The full-year figures to March 31, 1986, expected later this month, will show a loss of about \$115m.

CURRENCY MARKETS

Recent gains of dollar likely to continue

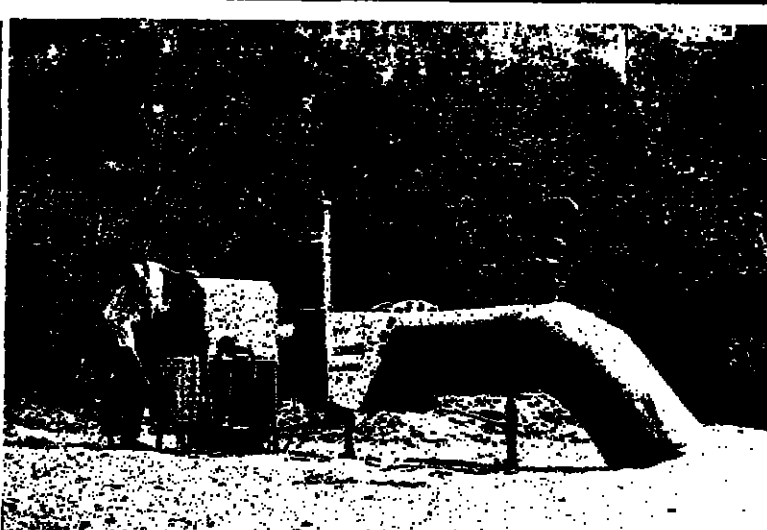
The dollar moved up gaining considerably against major currencies last week. Against the Swiss franc it gained 1.9 per cent, against the Deutschmark 1 per cent and against the yen, 1.1 per cent. It finished unchanged against the pound sterling.

As many operations returned to work after U.S. Labour Day weekend, the trend of the U.S. currency became unclear. Before Labour Day, the dollar closed sharply lower against the mark in reaction to a much greater than expected \$18.04 billion U.S. trade deficit in July. A lot of people were taken by surprise as a \$16b. shortfall was expected.

On Wednesday, the dollar dropped again after remarks by the U.S. trade representative, Clayton Yeutter, that exchange-rate changes may be needed in order to cut the U.S. trade deficit.

However, the dollar's recovery was rapid. Demand was spurred by rising U.S. interest rates, which gained on inflationary expectations in the wake of higher oil and precious metals prices.

The overdue correction in the dollar is underway. The main trend, which emerged after Labour Day, points towards a stronger dollar. This is also indicated by the inability of the U.S. currency to slip lower in spite of the huge U.S. trade deficit. Sharply higher long-term interest rates—reflected in bond prices—show that there is a fundamental support to the dollar rise. This correction is thus likely to be considerable and last for a few weeks.



Silvio Hecht, general manager of Hechtmetal Ltd., demonstrates his company's Aquasys System, which is designed to protect pipes from sudden bursts of pressure and other hazards. The device was designed for Mekorot water pipes, but can be adapted for a variety of industrial uses. Units designed for water pipes cost between \$13,000 and \$14,000, while those for industrial uses run between \$30,000 and \$150,000.

YITZHAK OKED

BUSINESS BRIEFS

Leumi expected to unveil new business strategy

Bank Leumi is expected to reveal the new elements of its business strategy in Israel and abroad, when it releases its first-half results at a press conference next week, financial sources say. Bank Hapoalim will also release its January-June results.

Leumi is breaking a long-standing tradition in holding a full-scale press conference, scheduled for September 15, to announce the results. As the bank's profitability is expected to be particularly good, speculation has been mounting that management has other news in store.

The banks that have already released their results, in particular Bank Discount, have shown a lower level of profitability in the half than in 1985.

Leumi's press conference will be the first called by its new heads, Chairman Eli Hurwitz and Chief Executive Officer Mordechai Einhorn.

THE NUMBER OF JOB SEEKERS fell 6.3 per cent in August from July to 44,415 and 2.2 per cent from a

year earlier. The Ministry of Labour and Social Welfare reported last week. The figure includes those who have registered at least once at a Labour Exchange during the course of the month.

The number of those who registered at least six times at a Labour Exchange grew a negligible 0.2 per cent from July to August to 21,627. Among those seeking jobs, the number of non-academics increased 1.2 per cent to 15,411 in August.

The ministry said the number of job offers received by the Labour Exchanges fell 1.1 per cent to 19,454 in August.

TEN ISRAELI MANUFACTURERS of security gear arrived in West Germany last night, invited by the West German Economics Ministry to discuss business links, co-operative projects and attend an Essen trade fair.

In addition, the group will visit the technical centre of the national insurance company association, which could aid sales. The association must grant approval before security equipment can be installed by insurers' clients. Foreign equipment often has difficulty getting the required approval.

Pre-tax wages fell 4% in 1st half

The average pre-tax wage in Israel in the first half of the year was 4 per cent lower than in the same period in 1985, the Central Bureau of Statistics reported yesterday.

The bureau said that in June 1986 the average wage was NIS 1,160.

Figures released by the bureau, however, showed that in the second quarter of the year there had been a 4.9 per cent increase in pre-tax salaries from the previous quarter.

The bureau said pre-tax salaries for workers in the public services fell 8.8 per cent in the first half of 1986 from a year earlier. Wages in the industrial sector were 3.7 per cent lower than in the first half of 1985, while those in the transport and commerce sector were 1 per cent lower. On the other hand, salaries of employees in the finance sector were 2.7 per cent higher than in the first half of 1985.

FINANCIAL DATA ISRAELI EUROPEAN

ISRAELI MONEY MARKETS

SHEKEL INTEREST RATES
PRIME BORROWING RATE: 1.25% per month
Unlinked Deposit (Annual Rates)

LEUMI	Last Updated	Tapas	Pakam 7-Day	Pakam 30-Day
HAPOLIM	28.8	7-15.50%	8-15.50%	8-15.50%
DISCOUNT	12.8	8-15.50%	8-15.50%	10-15.50%
MIZRAHI	8.5	8-15.50%	8-15.50%	10-15.50%
FIRST INTL	22.7	8-15.50%	8-15.50%	10-15.50%

Rates vary according to size of deposit.
(Tapas: demand deposit paying daily interest.
Pakam: fixed-term deposit available from 7 to 59 days.)

PATAN — FOREIGN CURRENCY DEPOSIT RATES (September 5, 1986)

USD (\$100,000)	3-MONTHS	6-MONTHS	12-MONTHS
STG (100,000 pounds)	8.500	8.375	8.375
DMK (100,000 marks)	3.500	3.500	3.500
SRF (50,000 francs)	3.250	3.250	3.500
YEN (3,000,000 yen)	3.250	3.250	3.500

Rates vary according to size of deposit and are subject to change.

SHEKEL FOREIGN EXCHANGE RATES (September 5)

Currency basket	Buy	Sell	Banknotes	Buy	Sell	Rep.
U.S. Dollar	1.4860	1.4862	1.45	1.52	1.4866	1.4869
Deutschmark	0.7276	0.7367	0.72	0.75	0.7331	
Pound Sterling	2.2198	2.2473	2.18	2.28	2.2341	
French Franc	0.2220	0.2248	0.22	0.23	0.2236	
Japanese Yen	0.9527	0.9546	0.94	0.98	0.9588	
Dutch Florin	0.6454	0.6535	0.63	0.67	0.6488	
Swiss Franc	0.8990	0.9102	0.88	0.93	0.9074	
Swedish Krona	0.2148	0.2176	0.21	0.22	0.2164	
Norwegian Krone	0.2029	0.2064	0.20	0.21	0.2042	
Denish Krone	0.1923	0.1947	0.19	0.20	0.1931	
Finnish Mark	0.3026	0.3064	0.30	0.31	0.3045	
Canadian Dollar	1.0531	1.0763	1.05	1.10	1.0709	
Australian Dollar	0.8085	0.8198	0.85	0.94	0.9142	
S. African Rand	0.6228	0.6316	0.41	0.49	0.6205	
Belgian Franc	0.3478	0.3522	0.34	0.36	0.3511	
Austrian Shilling	10.342	10.471	1.02	1.07	1.0411	
Italian Lira	1.0542	1.0673	1.03	1.09	1.0621	
Jordanian Dinar	—	—	4.20	4.46	4.2488	
Egyptian Pound	—	—	0.78	0.82	0.7874	
ECU	1.5278	1.5470	—	—	1.5400	

* Rep. rates are for September 4

SUPPLIED BY BANK LEUMI

EUROPEAN FINANCIAL MARKETS

(September 5)

PRECIOUS METALS

GOLD:	LONDON A.M. FIX	418.25 P.M. FIX	420.80
	PARIS NOON FIX	414.59	ZURICH P.M. 423.25
SILVER:	LONDON FIX	546.50	
PLATINUM:	LONDON P.M.	673.75	
PALLADIUM:	LONDON P.M.	151.00	

FOREIGN CURRENCY CROSS RATES (London 15.30GMT)

Forward Rates	SPOT	2 MONTHS	3 MONTHS	6 MONTHS
DEUTSCHMARK	2.0375/80	48/44	68/63	138/128
POUND STERLING	1.4970/80	103/101	152/149	280/275
SWISS FRANC	1.6480/95	52/47	71/66	142/132
JAPANESE YEN	155.12/22	27/25	42/40	83/78
FRENCH FRANC	6.5750/80	165/175	260/280	520/580
ITALIAN LIRA	1404.50/25	1350/1425	2025/2125	3700/3825
DUTCH GULDEN	2.3020/30	25/21	35/31	68/63
BELGIAN FRANC	42.220/240	8/10	12/11.5	25/30
DANISH KRONA	7.7350/00	400/465	625/675	1450/1550
S.AFRICAN RAND	0.4210/20	27/22	38/33	52/45
EUROPEAN CUPR. UNIT	1.0265/70	25/22	38/32	52/45
FINNISH MARK	4.8850/70	830/870	850/900	1620/1720
AUSTRALIAN DOLLAR	0.6155/62	86/63	123/118	212/207
NORWEGIAN KRONA	7.3025/75	1050/1070	1550/1570	3100/3140

Formula for determining forward rates:

high/low (eg. 210/220) — deduct from spot price.

low/high (eg. 210/220) — add to spot price.

NEW YORK FINANCIAL MARKETS

U.S. MONEY RATES

Prime rate 7.50%; Broker Loan 7.00%-6.87%; NY Euros 3 month 5.75%-11.16%; Fed Funds 5.75%

NEW YORK FOREIGN EXCHANGE

PREVIOUS CLOSING	DMK	SFR	STG	YEN	CAN
OPENING	2.0350/70	1.6450/65	1.4895/05	155.30/40	1.3889/73
LATEST	2.0350/70	1.6475/85	1.4895/05	155.30/40	1.3855/60
	2.0500/10	1.6700/20	1.4935/45	155.55/75	1.3849/53

Comment

The dollar closed higher and near the day's strongest levels Friday, amid increasing optimism about the U.S. economy following reports of lower unemployment for August and strong auto and department store sales. Rising U.S. interest rates and the dollar's success in holding above 2.02 Deutschmarks earlier last week also supported the U.S. currency.

ISRAELI STOCKS

TRADED IN NEW YORK:

NYSE and ASE

NYSE and ASE	Last	Prev. Close	High	Low	Vol ('00s)
Alliance	—	2 1/2	—	—	—
Amir Pap	14 1/4	14 1/4	14 1/4	14 1/4	9
Ampal	2	2	2 1/4	2	45
Elbit	1 1/2	1 1/2	1 1/2	1 1/2	416
Ex Leved	—	—	—	—	—
Laser Inds	12 1/2	11 3/4	12 1/2	11 1/4	250

Over the counter

Bank Telem	Last	bid	ask	Interpharm	Last	bid	ask
Elbit	—	21	23	Oprotech	—	4 1/4	5 1/4
EG Tel	3	2 1/4	3 1/4	—	—	4 1/4	5 1/4
Elron	5 1/2	5 1/4	5 1/2	—	—	3 1/4	4 1/4
Fibronics	5	5 1/4	5 1/2	—	—	3 1/4	4 1/4
IDB Bank	—	48	32	Tevapharm	—	4 1/2	4 1/4
IS	3	3	3 1/2	—	—	2 1/4	3 1/4

WALL STREET Closing Prices

Dow Jones Indices	1986	1985	IBM	140%	+1
TRANS	777.50	-12.63	OKY PETE	30%	+1/2
UTILS	213.71	-5.11	MOBIL	38 1/2	-1/4
STOCKS	724.94	-10.46	FANNIE MAE	32 1/2	-1 1/2
NYSE COMP	143.89	-1.88	U.S. X CP	20%	UNCH
NYSE INDS	164.33	-1.52	PERIGO	28 1/2	-1 1/2
S-P 100 INDEX	236.41	-2.38	IE INDUS	26%	-1/4
S-P COMPOSITE	250.48	-3.35	ALLIED STR	58 1/4	-1 1/4
AMEX INDEX	274.80	-2.12	WALD DIS	40%	-1
			SEARS ROE	44 1/2	+1/4

OVERSEAS FINANCIAL DATA

PROVIDED BY REUTERS MONITOR

Tel Aviv Stock Exchange

MARKET STATISTICS

Indices:	
General Share Index	115.77+0.57%
Non-Bank Index	147.35+0.65%
Arrangement	102.29+0.54%
Insurance	160.03+0.57%
Commerce, Services	174.53+0.65%
Real Estate	191.42+0.10%
Industrials	138.01+0.57%
Textiles	188.30+0.93%
Metals	132.54+1.33%
Electronics	88.28+1.84%
Chemicals	141.02+0.58%
Industrial Invest.	113.51+2.04%
Investment Cos.	139.83+0.45%
General Bond Index	105.26+0.17%
Index-linked Bonds	110.89+0.23%
Fully-linked Bonds	112.89+0.07%
Partially-linked Bonds	108.66+0.28%
Dollar-linked Bonds	83.04+0.11%
Short-term 6-2 yrs	108.37+0.22%
Medium-term 2-5 yrs	108.85+0.18%
Long-term 5+ yrs	104.17+0.13%

Turnovers	
Share - total	NIS 9,485,500
Arrangement	NIS 1,957,500
Non-bank	NIS 7,525,500
Bonds - total	NIS 5,381,200
Index-linked	NIS 3,867,200
Dollar-linked	NIS 1,434,100
Treasury Bills	NIS 3,344,500

Share Movements:	
Advances	174 (225)
of which 5% +	30 (52)
"buyers only"	1 (6)
Declines	93 (46)
of which 5% +	17 (10)
"sellers only"	3 (0)
Unchanged	11 (17)
Trading Halt	38 (34)

Bond Market Trends:	
Index-linked	3%
3% fully-linked	Mixed to 0.5%

